OLDER WORKERS: THE FEDERAL ROLE IN PROMOTING EMPLOYMENT OPPORTUNITIES

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CONTENTS

	Page
Opening statement by Senator John Heinz, chairman	1
Statement by Senator Charles E. Grassley	2
Statement by Senator Charles H. Percy	3
Statement by Senator John Melcher	5

CHRONOLOGICAL LIST OF WITNESSES

Bentsen, Senator Lloyd	9
Lovell, Hon. Malcolm R., Jr., Washington, D.C., Under Secretary, U.S. Department of Labor	22
Sheppard, Harold L., Ph. D., Washington, D.C., associate director for research and evaluation, National Council on Aging	37
Kuhns, E. Douglas, Washington, D.C., assistant director for research, International Association of Machinists & Aerospace Workers	40
Post, John, Washington, D.C., executive director, the Business Roundtable	41

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THURSDAY, OCTOBER 29, 1981

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, D.C.

The committee met, pursuant to notice, at 9:40 a.m., in room 6226, Dirksen Senate Office Building, Hon. John Heinz, chairman, presiding.

Present: Senators Heinz, Percy, Grassley, and Melcher.

Also present: John C. Rother, staff director and chief counsel; Michael Batten, professional staff member; Nell Ryan, minority professional staff member; Robin L. Kropf, chief clerk; Nancy Mickey, clerical assistant; and Eugene R. Cummings, printing assistant.

OPENING STATEMENT BY SENATOR JOHN HEINZ, CHAIRMAN

Senator HEINZ. Today, the Special Committee on Aging will examine the Federal policy and new Federal roles on expanding employment opportunities for the Nation's older workers.

The committee has had a long-standing concern in this matter. We have had previous hearings and committee prints have examined obstacles to and opportunities for new and continued employment choices for older workers.

I would like to emphasize the idea of choice. Many older Americans are still very concerned about social security and whether, through drastic reductions in benefits for those who need or wish to retire early, the Federal Government will try to force them into retiring early.

Frankly, I think that is the wrong approach. Retirement and early retirement are choices and I will do my level best to work to uphold those choices. But choices to find jobs or remain working are equally important, and this committee will continue to and I will continue to work to uphold those choices.

Some people say that the only way to get people to work longer is to cut early retirement benefits under social security, especially for those that would retire before age 65.

Frankly, I think that approach relies on the stick. I think it also gives a lot of people the short end of the stick.

Much more fair, I believe, would be an approach that provides people with incentives. The fact is that recent surveys show that 4 out of 5 older workers say that they at least want to continue some form of part-time work after retirement and that 9 out of every 10 Americans opposed forced retirement, because of age.

The time has come to formulate and implement policies which promote and permit opportunity and remove obstacles for older workers' employment.

I believe the Federal Government has a special role to play in the development of such policies. The committee has invited today the administration and representatives from business, organized labor, and organizations concerned with the elderly, to express their view on the Federal role in older worker policies.

We have asked all to address what specific steps the Government can take. More particularly, they have been asked to address the following issues:

First, demographics on aging indicate that the number of older workers in the work force will expand as the supply of younger workers diminishes. What policies are needed now to deal with these expected changes?

Second, what should we do about the barrier of mandatory retirement that still impedes older worker opportunity? The Department of Labor has conducted studies on the effects of mandatory retirement on older workers and other groups in the labor force. What specific recommendations and what actions have resulted from those studies?

Third, the administration emphasized the private sector activity in many areas of the economy. The committee would like to know specific private sector initiatives which can stimulate older worker activity.

Fourth, the earnings limitation in social security and certain regulations to the Employee Retirement Income Security Act, or ERISA, restrict older worker choices. What changes should Congress and the Federal Government make to reduce or eliminate such obstacles to older worker employment?

Two months ago, the committee published an information paper entitled, "Toward a National Older Worker Policy." It laid out a wide variety of policy concerns and options that support employment choices for older workers. We hope to hear today from the administration and other witnesses some specific strategies and steps that will begin to make older worker policies a reality.

Our first witness today is a very distinguished member of the Senate, Lloyd Bentsen.

But before Senator Bentsen proceeds with his testimony, which I understand will deal with productivity and older workers, a subject on which Senator Bentsen has been a great leader, I want to recognize the other members of my committee, Senator Grassley and Senator Percy.

Senator Grassley.

STATEMENT BY SENATOR CHARLES E. GRASSLEY

Senator GRASSLEY. Mr. Chairman, I congratulate and thank you for calling this hearing on older workers.

Two weeks ago, Senator Percy and I held a daylong Senate Aging Committee hearing, "Employment: An Option for All Ages," in the quad cities area of Iowa and Illinois. It was an enlightening experience for both of us. It reinforced my belief that we did the correct

thing to work for the Age Discrimination in Employment Act in 1978.

Mr. Chairman, this hearing will bring more facts to light, most especially with the appearance of Under Secretary Lovell, in whose department the Older Americans Act authorizes the establishment of the title V senior community service employment program. This hearing will also help dispel myths regarding older workers, myths that Senator Percy and I learned persist, making compliance with the intent of the Age Discrimination in Employment Act at best uneven.

Are workers over 65 less healthy, do they miss more days and hours of work, and cost their employers more in terms of benefits? At the hearing in the quad cities, we learned that many employers have discovered this is simply not the case with this self-elected group of survivors from their work cohort. Individuals who elect to work after age 65 do so because they want to work and feel like working. In the light of today's retirement options, workers who exercise the employment option at ages 65 and 70 would appear to be a good bet, as many employers have recognized. Not only do they offer a helpful interest in specific jobs, but they bring to those jobs a lifetime of experience and proven work habits, all worker characteristics that counteract absenteeism and "lower back pain" syndrome.

Over all, any objections to employment of individuals aged 65 and 70 seem to have been overruled by both the latest research and the experiences of those persons involved in the process. Employment, like retirement, should remain an option for all ages.

Senator HEINZ. I want to compliment you for a thoughtful statement, and thank you and Senator Percy—for your initiative in asking for and conducting the hearing on older workers in the quad cities area of Iowa and Illinois.

I have not yet had a chance to review all of the testimony from that hearing. I understand from you and Senator Percy it was a very valuable hearing, and I want to take this opportunity to thank you for your continuing interest and activity in going out to these people to really fact find for this committee.

It is my belief that we should do more of that and I thank you on behalf of all members of the committee for that initiative.

Senator Percy.

STATEMENT BY SENATOR CHARLES H. PERCY

Senator PERCY. Mr. Chairman, if you would be good enough to see that the full text of my statement is put in the record.

Senator HEINZ. Without objection, so ordered.[1]

Senator PERCY. I would like to touch on a few of the points that came out in the hearing Senator Grassley and I chaired, and in particular to Senator Bentsen, who is the best informed, has the best background of any Member of Congress, House or Senate, in the field of insurance.

As we now try to shape up in this committee a national policy for older workers, we are now basing it on a lot more facts than we

[1] See next page.

ever had before. All of us will recall when we approached the legislation changing the mandatory age from 65 to 70—that was a dramatic thing, because we did not have a lot of research. We probably never have legislated in an area where we just did it through gut feeling as to what the right thing was to do.

We hoped the statistics would not be startling later.

The purpose of our hearing that we held, and Senator Grassley was a wonderful partner to work with in those hearings as cochairman of them, the question was, what effect did this retirement policy have?

In retrospect, we looked at the criticism that was made when we passed that mandatory legislation, increasing it to age 70.

We were criticized that such a policy would force employers to keep on workers they did not want, that workers were too frail over 65. They were more accident prone, unreliable. They cost more for employers to maintain, and that older workers would take jobs away from younger persons, and labor unions are still testifying against this. They do not like this provision for some reason.

But the facts are just overwhelming at our hearing. We have testimony that older workers actually cost less for employers to insure than younger workers. Employers who hire older workers were unanimous. These were medium-sized, small, and huge companies, that older workers are assessed to be among the most dependable and most conscientious, and were actually an excellent investment for both public and private factors.

In fact, one of the large companies in Illinois removed any mandatory age as a result of their experience.

The most dramatic evidence came from a representative of the William Mercer Co., a Chicago actuarial firm. A typical benefit plan was prepared for workers in similar jobs at ages 30, 45, 60, and 65. The results were absolutely surprising. The results showed that insurance costs, which included life, short- and long-term disability, and medical care, costs less for 65-year-old workers than for workers aged 45 and 50, and almost the same as that for age 30 workers. This did not include pension costs which were higher, but it did show, on the average, older workers did not cost more than their younger counterparts. In some cases, actually they cost less.

I commend you, Mr. Chairman, very much indeed for charting us on this course of developing and forming a firm national policy, and I can assure you that we came back from our field hearings very enthusiastic about these hearings, and what we would learn from them.

Senator HEINZ. Thank you very much.

[The prepared statement of Senator Percy follows:]

PREPARED STATEMENT OF SENATOR CHARLES H. PERCY

Mr. Chairman, I am delighted to join you this morning for this hearing about older workers. As you know, Senator Grassley and I just returned from Illinois and Iowa where we held a joint hearing for this committee on the same subject. I commend you for your deep interest in beginning now to shape a national policy for older workers. I also want to thank the distinguished minority member, Senator Chiles, who has been a leader in this effort for many years.

Mr. Chairman, when Congress raised the mandatory retirement age from 65 to 70 in 1978, we did not know what the impact would be. We acted out of a sense of equity in the face of some strong opposition.

We heard criticisms that such a policy would force employers to keep on workers they did not want. We were told that older workers were frail, more accident-prone, and unreliable. Because of their age, they would cost more for employers to maintain. And last, older workers would take jobs away from younger persons.

Senator Grassley and I were convinced from the witnesses we heard that these claims have proved untrue. We discovered:

Older workers actually cost less for employers to insure than more younger workers.

Employers who hire older workers are unanimous in their assessment that they are dependable and conscientious.

Older workers are an excellent investment for both the public and private sector.

Unfortunately, we were also told that discrimination based on myths about older persons still persists. Those myths, coupled with certain public policies, like the social security earnings limitation, pose barriers to employment of workers over age 65 that the 1978 amendments did not address.

Perhaps the most dramatic evidence of the day came from a representative of William M. Mercer, a Chicago actuarial firm. A typical benefit plan was prepared for workers in similar jobs at ages 30, 45, 60, and 65. The results were surprising. Insurance costs, which included life, short- and long-term disability and medical care, cost less for 65-year-old workers than for workers aged 45 and 60, and almost the same as that for an age 30 worker. This did not include pension costs, which were higher for older workers, but it did show that on average older workers did not cost more than their younger counterparts, and in some cases, actually cost less.

Mr. Chairman, we also received several recommendations for change. One, which I hope Under Secretary Lovell will address, deals with the title V community services employment program, which our witnesses recommended be changed to place workers directly into private sector employment. They also recommended, based on a very successful model operating in Chicago called Operation ABLE, that title V include development of similar "job banks" across the country and other services which emphasize private sector employment.

I agree, Mr. Chairman, that we must have a national policy that will address the problems of older workers. We simply cannot afford to ignore the skill and experience of this group of workers. To the extent that older persons who want to work are denied that opportunity, we must seek solutions that will truly make employment an option for all ages.

Senator HEINZ. Next, I will call on Senator Melcher, if he has an opening statement.

STATEMENT BY SENATOR JOHN MELCHER

Senator MELCHER. Thank you very much.

I, first of all, want to thank our colleague, Senator Bentsen, for appearing before the committee today, and with the positive approach and very thoughtful recommendations.

It goes without saying that we have a fast-growing population of older Americans. They are a vast untapped resource of many implications. The more that can be done to encourage them and provide incentives for them to remain in the labor force, the healthier it is, not only for them, but for the economy as a whole.

Americans are, in general, living longer, staying healthy longer, and many want to be contributing, productive members of society longer than in the past.

Congress, the private sector, and the administration need to develop a strong, highly visible older worker policy. This hearing is focused on the Federal role in promoting employment opportunities for older workers.

Will we take a position on whether it will try to reverse the decline in the older worker force? If so, what do we plan to do and when? I hope we can work with the administration to develop a new positive older worker policy.

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The senior community service employment program under title V of the Older Americans Act has been very successful. What are the administration's future plans for title V? Should the program be expanded based upon need and effectiveness and benefits to the participants, services to agencies and overall economic results? Are there efforts being made to assure placement of these workers in the private sector?

How about title III, section 308, of the CETA program for middle-aged and older workers? What is the Department doing about implementing this program? What is the planned funding level and what does the Department plan to accomplish?

Are there plans to change the regulations which permit employers to not credit years of employment beyond age 65 for credit toward retirement benefits?

Can we end the tax and social security policies that retard older workers from continuing to work?

These are all questions that I believe we should try to answer in our hearings. We have alternately danced around and dragged our feet in promoting employment opportunities for older workers. I think we should expect this administration and Congress to move boldly and affirmatively in developing a policy and program that will show some results. The real question is, when?

Thank you very much, Mr. Chairman.

Senator HEINZ. Thank you, Senator Melcher.

Two members of our committee, Senator Lawton Chiles and Senator David Durenberger, unfortunately had prior commitments and will not be able to attend today's hearing. They have submitted statements for the record, and without objection, they will be inserted into the record at this point.

[The statements of Senators Chiles and Durenberger follow:]

STATEMENT OF SENATOR LAWTON CHILES

Few trends in the 20th century have been as pronounced or significant as the decline in labor force participation of older persons. The participation rates of older workers—especially men—has been declining at an alarming rate for the past 20 years. Participation rates in the labor force for men aged 65 and over has dropped from 34 percent in 1960 to less than 20 percent in 1981. For men aged 55 to 64, the rate has dropped 15 percent over the last 20 years. The participation rates for women over age 65 has always been and still remains very low. Recently, there has been an increase in the number of women aged 55 to 64 entering the labor force.

In early 1980, the Special Committee on Aging, under my chairmanship, initiated a series of hearings on "Work After 65: Options for the 80's." One of the stated purposes of that series of hearings was to learn as much as possible about the problems facing older workers who want to continue working and to express concern about the future implications of current trends and present policies—trends which indicated that during the two decades prior to 1978, labor force participation rates of older workers exhibited a steady decline and policies which in spite of the 1978 amendments to the Age Discrimination in Employment Act, forced large numbers of older persons to retire early.

From that series of hearings, we learned some of the reasons why older workers retired early, why they dropped out of the labor force, why they became discouraged and stopped looking for work or why they wanted to return to work after so-called "retirement." We discovered that for some individuals our present pension policies made early retirement more desirable than continued work; that some workers resent the earnings limitation under social security and will drop out of the labor force rather than be penalized $1 in benefits for each $2 earned; that there are Federal regulations which present barriers to or prevent older workers from remaining in the active work force. Examples of such regulation are the suspension of pension benefits under ERISA if a person returns to work part time or the provision which

allows employers to stop crediting years of service beyond age 65 toward a larger pension benefit. Other reasons cited were not knowing how to look for another job after spending years with one employer, the need for training or retraining to compete effectively in high technology fields, or simply discouragement after a long and futile search for employment.

At the onset of the work after 65 hearings, I made it clear that the committee in no way wanted to eliminate opportunities for early retirement since for many, early retirement is both necessary and viable. The concern of the committee, and my concern, was that there were so few work options for mature Americans, and I believed that it was time to expand these options so that current trends and existing policies would begin to change.

We had the results of two Harris polls which were conducted in 1974 and in 1979. The polls showed that increasing numbers of older persons would like to return to work. In fact, the 1979 poll found that 51 percent of those questioned said they would like to return to work.

I wish I could tell you about positive changes in employment prospects for older workers since those 1980 hearings. The only good news I have is that recent social security figures show that the rate of increase of early retirement is slowing. Some experts in the area of older worker employment think that the early retirement trend may have reversed. Workers are beginning to have second thoughts about retirement. Clearly, one of the concerns of these older workers is the effects of inflation on their retirement income.

If older persons want to remain in or return to the work force, it is both inhumane and wasteful to prevent them from exercising that option. We all know about the pressures of inflation, especially on those with fixed or limited incomes. We will soon see the effects of fiscal pressures on social service programs. There is major concern about the solvency of the social security trust fund. We have heard testimony in the past about the limited Federal programs for older workers, programs which have of necessity served only the low income, chronically unemployed, or hard to employ. As a result, these programs have not met the needs of many segments of the older population. Although several private companies have initiated programs to retain, retrain, or rehire retired, or about to be retired employees, I have felt that both Federal and private sector initiatives reach only a small percentage of the eligible pool of older workers desiring further employment.

I had my theory confirmed by a report of the Technical Committee on Employment, prepared for consideration of the 1981 White House Conference on Aging delegates, which emphatically states that, "The private sector has yet to come to grips with the implications of an aging population on the work force." Therefore, I should like to stress that we have a pressing need for this, and possibly more, hearings on the role of the older worker in our economy, society, and country.

The 1981 White House Conference on Aging will convene in only 1 month. In preparation for this Conference, each Governor held a State conference. In my own State of Florida, a priority recommendation was "to make better use of the talents and expertise of older people." Certainly, the opportunity for continued employment, be it full time, part time, job-sharing, or volunteerism, would be a major factor in better utilizing the talents and expertise of our Nation's 36 million older persons.

Before we hear from the Under Secretary of Labor, as to how the administration proposes to work with us to enhance employment opportunities for older workers, I should like to mention one positive step which I propose to take when the Senate considers the 1981 amendments to the Older Americans Act. I am going to propose an amendment to title V, the employment title of that act. My amendment is designed to strengthen the second career and placement program under title V. It will provide opportunity to increase the productive participation of those age 55 and over in the work force.

This amendment will not suggest a new program, it will not request additional funds, but it will instruct the Department of Labor to fully utilize authority for opening work options for the mature worker which was granted by Congress several years ago.

The 1978 amendments to the Older Americans Act gave the Secretary of Labor explicit authority to develop:

"* * * alternatives for innovative work modes and provide technical assistance in creating job opportunities through work sharing and experimental methods to prime sponsors, labor organizations, groups representing business and industry and workers as well as to individual employers."

Congress was concerned about the plight of the middle age and older worker prior to 1978. This is why new language and authority was included in the 1978 amend-

ments. Apparently, the Department of Labor has not utilized this discretionary authority nor has the Department undertaken an aggressive leadership role in seeking new avenues of employment for unemployment or displaced older workers. Hopefully, through a series of hearings, Congress, the Federal Government, and the private sector can jointly develop a national policy to address this individually painful and economically wasteful situation.

STATEMENT OF SENATOR DAVID DURENBERGER

In this age of depleting natural resources, we face the challenge of a growing human resource—America's older workers. Today more than 26 million Americans, nearly 11 percent of our population, are 65 years of age or older. This age group will build in significance as more than 5,000 Americans celebrate their 65th birthday each day. I'm talking about the phenomenon known as the "graying of America." Projections show that by the year 2030 over 20 percent of our population will be 65 or older. Juxtaposed to this enlarging older population is a dwindling number of younger workers in the labor force. The worker to elderly person ratio in the early part of the next century may drop from its current level of 5 to 1 down to an all-time low of two workers for each retiree. This means that we'll be facing a worker shortage at the same time that we'll have a burgeoning senior population.

What does this mean for the Federal Government? What roles does Government have in promoting greater job opportunities for older workers? That's why we're here today—to find some answers to this question. To begin to develop a national policy on older workers.

Not every 65 year old wants to continue working. Many seniors look forward to retirement as an opportunity to pursue hobbies, travel, and leisure activities with their loved ones. Others are forced into retirement due to illness or disability. But it is also true that the decision to retire is not a pleasant one for every senior. Many older workers see their 65th birthday, not as an open gate to greener pastures, but as a barrier to continuing their career. We began to address this problem in Congress when we passed the Age Discrimination in Employment Act Amendments in 1978. These amendments completely eliminated a mandatory retirement age for Federal employees and raised the retirement age for private employees to 70. It's time to question why we continue to have any age level as a retirement age. I am firmly against any mandatory retirement age. We need to educate the public, and especially business, that people are individuals at any age, and need to be judged on their own merits and abilities.

Since the 1950's, the Department of Labor has shown its willingness to encourage job opportunities for older Americans. As we face the challenge of a graying America we need to fully utilize Department of Labor programs, especially in the area of private sector employment. Through the senior community service employment program under title V of the Older Americans Act, the Federal Government has shown that senior citizens are capable and reliable employees, able to make important contributions to our economy. We need to translate this positive experience to business enterprises and industry. Many major corporations are already innovating programs which tap into this underutilized resource. Travelers Insurance Co., a giant company with over 30,000 employees nationwide, has created the retiree job bank. The job bank draws from valuable assets—Travelers own retirees—and offers them flexible work options.

The flexibility of Travelers program: Temporary employment, part-time jobs, and job sharing, highlight an important aspect of employment opportunities for older workers. We need to break out of the conventional notion of full-time employment or full-time retirement with little in between. By offering flexibility in job options, we can adapt the requirements of business and Government to the needs of senior citizens. Much of the effort involves changing attitudes, both on the part of senior workers and on the part of employers.

What's our role as Government policymakers? We need to scrutinize policies which discourage older workers from continued employment. These policies may be as specific as the earnings test under social security or as general as the attitudes we perpetuate through age bias. We need to present a clearer picture of the benefits we receive when older workers have the choice to enjoy retirement or employment with equal freedom. And these benefits are many. When a senior citizen has the opportunity to continue working the benefits can be measured in dollars and cents. Older workers are absent less frequently than younger workers. Older workers stay at their jobs longer than younger workers, lending stability to the work force. These older workers are reliable, capable individuals who contribute to the productivity of

their business. While earning a desirable, and often necessary retirement supplement, these older workers are also contributing taxes for social security, and State and Federal income taxes which benefit us all.

The benefits of having job opportunities for older Americans can also be measured in less tangible ways. A fulfilling job can offer a sense of accomplishment to people who may fear that age may limit their contributions. A flexible job can offer time for both leisure enjoyment and challenging employment, something we would all look forward to. And as we face a senior population explosion in the coming years, now is the time to develop these opportunities, not later. I want to commend Senator Heinz for bringing this important issue to the forefront. Removing barriers, encouraging job opportunities, opening doors for older Americans are all welcome challenges in meeting the needs of seniors and ultimately, all Americans. I'm glad to see the issue raised today and I look forward to further constructive action in addressing this challenge.

Senator HEINZ. Senator Bentsen, we now give you a chance to speak this morning.

Let me say, on behalf of all of my colleagues, we are really delighted to have you here.

I know you appear here in your capacit as chairman of the Joint Economic Committee of the last Congress.

So I look forward to your statement.

STATEMENT OF SENATOR LLOYD BENTSEN

Senator BENTSEN. I thought after yesterday the President might give us a day off, particularly Senator Percy.

I want to congratulate you.

Let me say to you, Mr. Chairman, I certainly agree with you on your comments regarding social security. I know how Senator Melcher, Senator Grassley, and Senator Percy are concerned with this issue. That is one of the reasons they are on this committee.

It is a genuine pleasure for me to be with such a prestigous array of witnesses and hopefully make some contribution to your deliberations.

I am here today, not only because I share your sincere interest in the contributions of our older workers, but because as chairman of the Joint Economic Committee in the last Congress, I directed a study which addresses some of the issues you are exploring. I am very happy to respond to your request to submit, for whatever purpose you desire, the study I have here with me. We have brought along extra copies today, but should more be needed, they are available from the Joint Economic Committee.

Senator HEINZ. Senator Bentsen, on behalf of the entire committee, I want to thank you. I am sure they will be very valuable to us.

Senator BENTSEN. This study, entitled, "Human Resources and Demographics: Characteristics of People and Policy," is a product of the Joint Economic Committee's Special Study on Economic Change. There were 10 areas of study ranging from "Productivity" to "Social Security and Pensions" to "The International Economy."

These studies are much more than staff studies, because they were examined, agreed to, and approved for publication and distribution by the Chairman's Review Committee. Besides myself, members of the Review Committee were Representative Richard Bolling, under whose very able leadership the study began; former Senator Jacob Javits, and Representative Clarence J. Brown, who was ranking minority member during my chairmanship.

Mr. Chairman, this study treats the Nation's foreseeable future not in cold, statistical terms—as studies of demographics often are prone to do—but in human terms. When the numbers are sorted out, the message of this study is that it will take a strong economy to enable America to utilize its greatest asset—its people. And when I say people, I mean all people.

Members of the Special Committee on Aging know better than anyone that what was old yesterday is not old today. And what is old in today's society will be younger by tomorrow's standards.

There isn't a State in the Union that is not influenced by our growing ability to live longer, and to remain healthy and productive, far into the age that once was considered "old."

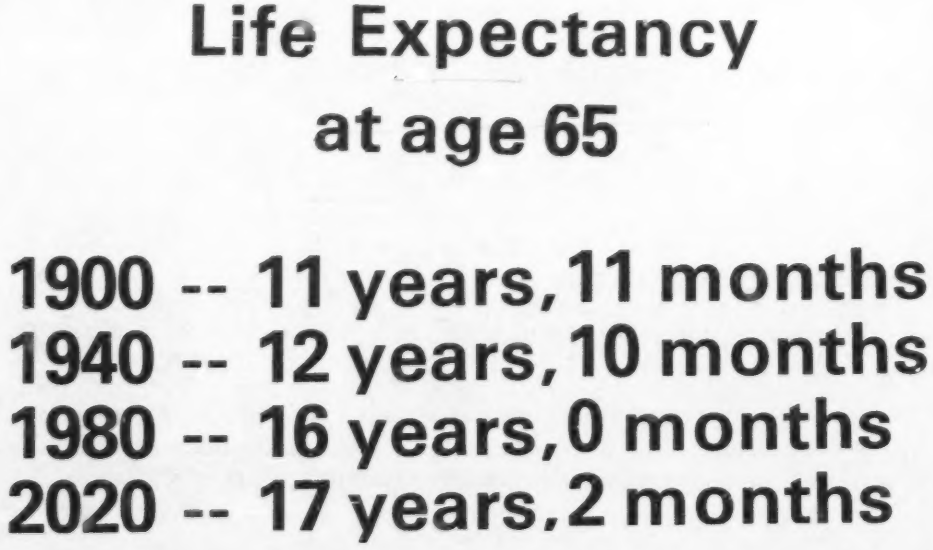
If we but adopt the right policies regarding the older worker, the over-65 American will indeed be in his or her golden years—golden years of continued productivity and contribution if they choose to work.

In Texas, for example—the State that I represent—the over 65 age group will increase 75 percent between 1980 and the year 2000. In 1970, Texas had less than 1 million people over age 65. In 1980, we had 1.6 million, in 1990 we are projected to have about 2 million, and by the end of the century there should be 2½ million over 65 Texans. That's 11 percent of the State's projected population.

Within that Texas age group—and within that of your States—lies a vast pool of experience, leadership, and dedication to work, to progress, and to a good quality of life. Many of these people—in my State and in yours—do not want to take to the fishing holes and rocking chairs on a full-time basis, regardless how attractive that may sound to some.

This over 65 age group knows their lives can still be productive for many, many years, because they know the statistics regarding life expectancies better than anybody. You can rest assured they know the numbers on this chart here which show that when the average American turns 65 now, he or she can expect to live to age 81.

[Chart follows:]



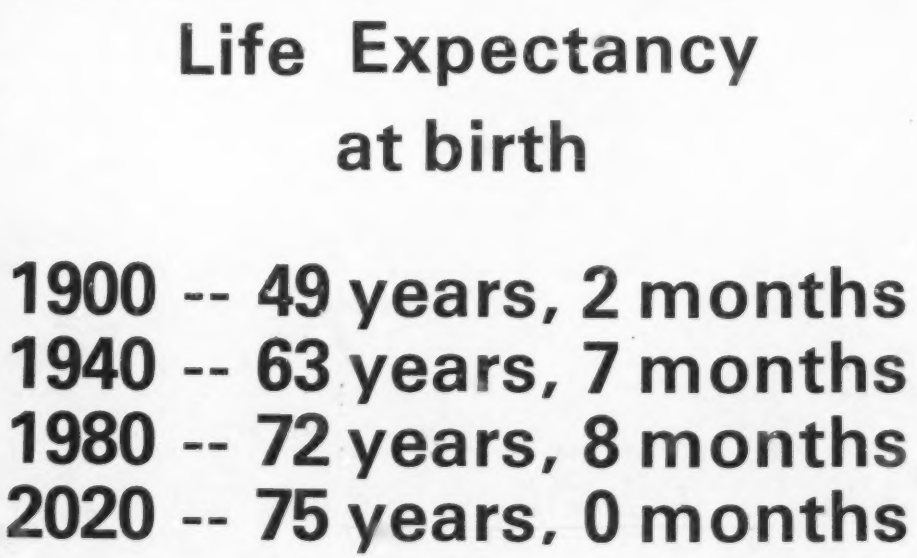
Senator BENTSEN. In 1900, it showed a person at 65 would live 11 years, 11 months; 1940, 12 years, 10 months; 1980, 16 years, and the year 2020, 17 years, 2 months. That is a dramatic increase in life expectancy that is taking place.

That additional 16 years is over a third of a person's normal worklife if he or she goes to work at age 20 and retires at age 65. By the year 2020, we're told a 65-year-old American will survive beyond age 82. And, if we keep making progress against some of the dreaded killers such as heart disease and cancer, we'll be making it far beyond the average age of 82.

All you have to do is read the weekly magazines and see the breakthroughs that are taking place in medicine, breakthroughs that are increasing life expectancy and encouraging increased productivity in later years. Recently, the cover of one of the weekly magazines showed just that very thing. Yesterday's newspapers reported a major breakthrough in chemotherapy.

The second chart shows that even at birth, there is a tremendous increase in life expectancy. It shows one now has an average life expectancy of 73 years. That is 9 years more than a child born during World War II and 25 years more than a child born in 1900 in this country. There is another major difference, as well, and it is the quality in those prolonged years for the people in this country.

[Chart follows:]



Senator BENTSEN. This good fortune means that what we're going to need are policies to allow older workers to remain on the job if that is what they want to do. As the pool of younger workers decreases in size, older workers may play an even more vital role in the U.S. economy, if current or future policies do not discourage them.

To benefit from the experience and skills of this increasingly larger segment of the population, less restrictive social security and pension policies may be necessary, as Senator Heinz has suggested. Other options available for those who want to work include delayed or phased-in retirement, more flexible work schedules and personnel policies which consider the older worker.

Special attention is needed to this age group, particularly when it is remembered that the 65-plus population of the United States is currently growing at a rate twice that of the general population.

Let me repeat that. I want to be sure it is understood because it is a staggering statistic. The 65-plus population of the United States is currently growing at a rate twice that of the general population.

By the year 2000, the population of the United States will have more than tripled during this century, but those over age 65 will have increased 10 times.

The entry of fewer workers into the labor force because of lower birth rates and the tendency of many workers to select early retirement may lead to development of new worklife patterns for older persons. Into the 21st century, if not sooner, employers are expected to be more motivated to recruit and retain older workers than ever before. That is what Senator Percy was referring to. And Government should tear down whatever barriers exist which impede this expected trend.

The Special Study on Economic Change attempted to seek out long-range trends, and one which this study addresses is the fact that in less than 30 years—when the baby boom generation begins to retire—the dependency ratio will worsen if present trends in retirement, pensions, health care, and other programs continue.

There are now 5 persons of working age to each person over age 65. The ratio could decline to 3 working age Americans for each person over 65 early in the 21st century.

At issue in the future is whether work rates for the older groups will continue to decline, stabilize, or increase.

The participation rates of older workers—particularly men—have declined substantially. At the start of 1970, 83 percent of the men, age 55 through 64, were in the labor force. By the beginning of 1980, that ratio had dipped to 72 percent who worked or were available to work.

Increasing numbers of retirements—particularly voluntary, early retirements—point to a desire to leave the work world. However, there are signs which show a reversal of employee preferences for early retirement; a majority now indicate their desire to keep working past the normal retirement age.

I believe a major shift is beginning to take place in this regard.

These, Mr. Chairman, are some of the findings of the Special Study on Economic Change.

I know that your examination of the issues involving our older, more experienced workers will contribute greatly to socially and economically sound policies that this country needs. I am honored that you felt the work of the Joint Economic Committee can be of help.

In addition, Mr. Chairman, we all need to be reminded that Americans have a proud tradition of carrying forward a bond between generations. A healthy, expanding economy that best utilizes the great American human resource, its people, offers the greatest assurance that present and future working generations will be able to deliver on their inherited commitments.

Thank you very much.

Senator HEINZ. Senator Bentsen, thank you for an extraordinarily eloquent and thoughtful statement.

The work that you have done these many years on the Joint Economic Committee is immensely valuable because you have focused not only on industrial productivity, on the so-called economic numbers of industrial output of America, but you also have focused on human productivity. Sometimes, they get lost in the shuffle. We think of output per man-hour, but we do not think of the people doing that work.

The work of the Joint Economic Committee, I think, deserves to be highly and extraordinarily commended by this committee.

Let me ask if any member has any question of Senator Bentsen.

Senator GRASSLEY. No, just a compliment for your leadership in this area.

Senator HEINZ. Senator Percy?

Senator PERCY. I would like to ask Senator Bentsen if you have done any studies just from your own personal experiences and seen what happens to people who do retire awfully early?

Are they really prepared to retire? Is there a shock when they realize suddenly they do not have to go to an office? They do not have the companionship of their workers. They used to love those vacations, but now there is a 52-week vacation. There is a void in their life. Is early retirement something that brings happiness, or does it mean problems, when people are either not prepared for it or find adjustment quite difficult?

Senator BENTSEN. I am reminded, Senator Percy, of the woman who said, "I married my husband for better or for worse, but not for lunch." It does make a great difference in lifestyle. Clearly, something is happening, as evidence in those polls that we have discussed, which show so many people now seeking to remain in the work force.

One of the reasons for this change is that people are healthier longer. We can all think of extraordinary examples. I can think of my own father who is 87. If you do not talk to him by 6 in the morning, he is on his way to work. I called him at 6 the other day, and the housekeeper said I could not speak with him. When I said why, she answered, "Because he is up on the roof fixing the television antenna."

We are seeing more and more of those longevity examples because of the great advances in medicine. I think of John Gardner's comment the other day. He said if he had known he was going to live so long, he would have taken better care of himself.

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People are now taking better care of themselves. People realize they are still productive, and they want to be productive longer. I think there is an increased awareness of the trends you just focused on.

Senator PERCY. It is almost like the seniority system. I was always against it until I got there.

Do you feel that employers generally are aware of some of the statistics that I gave that came out of our hearing, that it is not more costly to keep the people on—to hire older people or keep them on?

Those costs sometimes are even less. The statistics on older workers are remarkable from the standpoint of conscientiousness, absenteeism, appreciation of being able to stay on.

Senator BENTSEN. No question about that.

The insurance industry has some very interesting statistics along those lines which they have used for their purposes in determining insurance coverage. I think the employers are beginning to understand the implications of these trends better, too.

I think doing away with compulsory retirement at age 65 is a major step forward. I believe employers are getting older, too, and they have a little bit more empathy with the employees in that regard.

Senator PERCY. My last question, labor union opposition does bother me. I asked them at the hearings to think about the possibility of people in retirement, let's say 70, or 65 to 70, or companies that have removed entirely the retirement age, working out a system where two workers could take one job between them, decide the days they will be there, the hours they will be there, but they fulfill functions of the job. Both are members of the labor union. Labor unions are interested in membership.

Their argument is, well, it takes a job away from a younger person. But certainly, when we look at the level of people living below the level of the poverty line, they have got to supplement their income, and maybe it is good for them to have a 2½ day, 3 days a week, and have something to do.

As a former businessman, is that a practical situation and a possibility that we ought to be exploring?

Senator BENTSEN. Absolutely, and John Heinz and I have been working on changing the maximum a person can earn without losing social security, because that would encourage people to take on part-time work to supplement what they would be receiving on their social security.

Senator HEINZ. Senator Percy, thank you.

Senator Melcher.

Senator MELCHER. I think your father must be like my own. At the age of 76, which was 10 years ago, when the company he was associated with collapsed, I cannot tell you how proud the family was, within 1 month he joined one of the competitors of his former company and continued to work for another 5 or 6 years. He did not collapse. He still maintains—he is 86 now—and he still maintains some business interest. It is absolutely essential for his well-being that he does. We are pleased that he has had that opportunity to pursue some business interest all of his life, and I think it is rather heartless when the circumstances are such that an individu-

al is turned out to pasture and does not really want to be out to pasture.

Thank you very much for your comments and your leadership.

Senator HEINZ. Thank you very much, Senator Melcher.

Senator Bentsen, one question.

I know as a member of the Finance Committee these many years, you have been involved with ERISA and there are a number of elements of ERISA that make it somewhat difficult for an older worker to work past 65.

For example, if a worker does work past 65, Federal regulations flowing from ERISA say workers do not have to pay additional benefits for time worked after age 65.

Do you think that is right?

Senator BENTSEN. I do not think it is fair. I certainly do not. I think the same rules ought to apply. They ought to continue to pay the benefits. Any annuity they have bought for a later age should be one that increases its benefits, because workers have paid into it longer. Actuarially, they will not be receiving those benefits as long, and they should have the commensurate benefit increase for that period of time.

Senator HEINZ. Did the Joint Economic Committee do any studies of ERISA per se, and the effect it has?

Senator BENTSEN. No.

Senator HEINZ. Senator Bentsen, thank you very much.

Our next witness is Hon. Malcolm Lovell, Under Secretary of Labor.

We are very pleased to have you here.

Before you proceed to testify, I just want to place in the record a brief profile of older workers in the U.S. labor force that my staff and I have prepared and ask unanimous consent that that be placed in the hearing record.

Hearing no objection, so ordered.

[The material referred to follows:]

OLDER WORKERS IN THE U.S. LABOR FORCE: A PROFILE

A. The Older Worker Labor Force — September, 1981

There are a total of 2,983 million workers over age 65 in the labor force — 1,836 million of these are men and 1,147 are women. There are 11,648 workers between the ages of 55 and 64 in the labor force — 7,115 million are men and 4,533 million are women. These older workers make up 13.4 percent of the U.S. labor force.

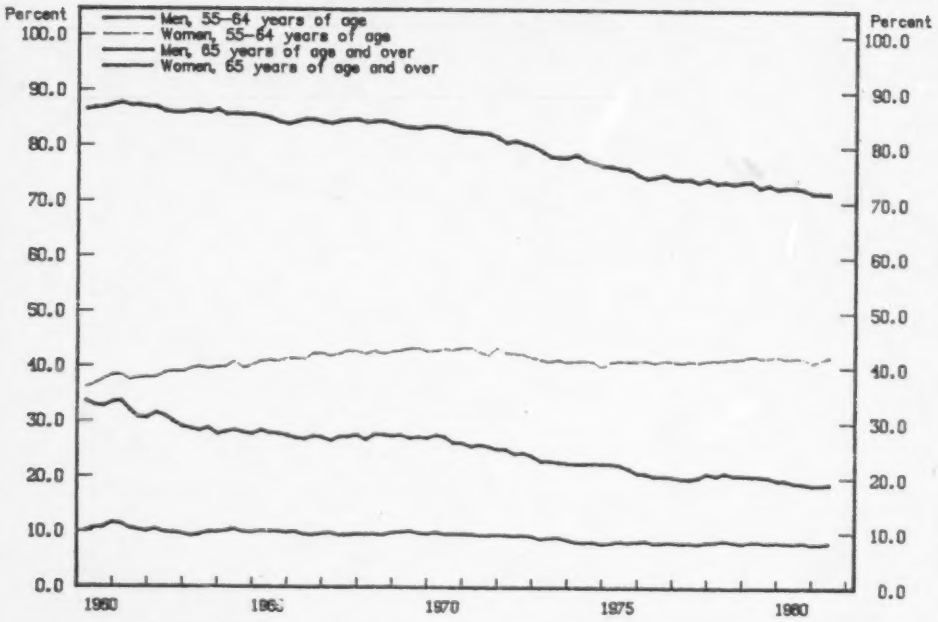
B. Labor Force Participation Rates for Older Workers

The U.S. labor force includes workers who are employed and actively seeking employment. The participation rate is the percentage of individuals in a given group (e.g. age group) who are in the labor force.

Labor force participation rates for men aged 65 and over has dropped from 34 percent in 1960 to slightly less than 20 percent in 1981. For men aged 55 to 64, the rate has dropped from 87 percent in 1960 to 72 percent in 1981.

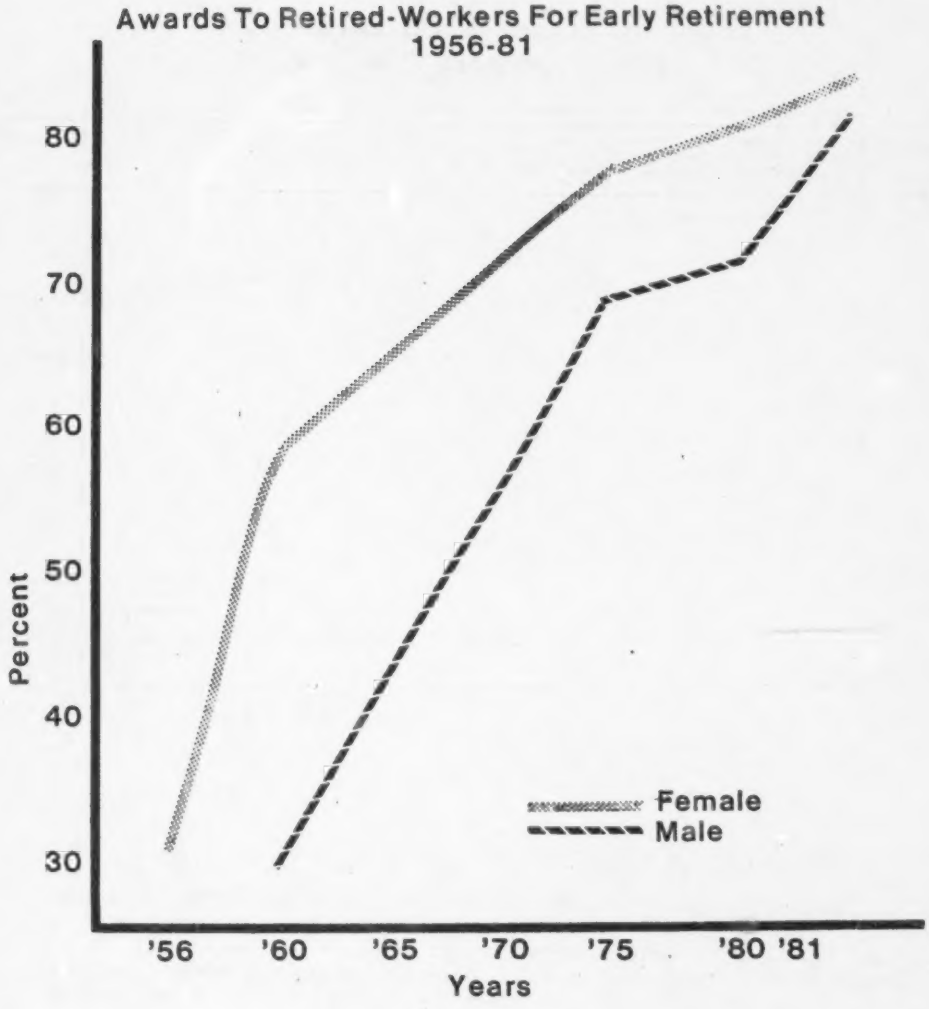
The participation rates for women over age 65 was and still remains low. In 1960 slightly over 10 percent of this group was in the labor force. In 1981 that rate dropped to 8.1 percent. There has been a slight increase in labor force activity for women aged 55 to 64. In 1960 the rate was 37 percent. That has gradually risen to 41.5 percent in 1981. The following chart illustrates the labor force trends of older workers from 1960 to the present.

Labor force participation rates of older workers, 1960-81



C. Trends Toward Early Retirement

Data from the Social Security Administration illustrate the continuing trend to early retirement. The following chart shows the increasing percentages of individuals taking early retirement benefits at age 62. We cannot conclude, however, that all individuals receiving the early benefit are out of the labor force. Some may work until they reach the earnings limitation level ($4,440 between ages 62 and 65). They then may drop out of the labor force rather than be penalized $1 in benefits for each $2 earned.


Awards To Retired-Workers For Early Retirement
1956-81
80
70
60
50
40
30
Percent
Female
Male
'56
'60
'65
'70
'75
'80
'81
Years

D. Unemployment and Duration of Unemployment

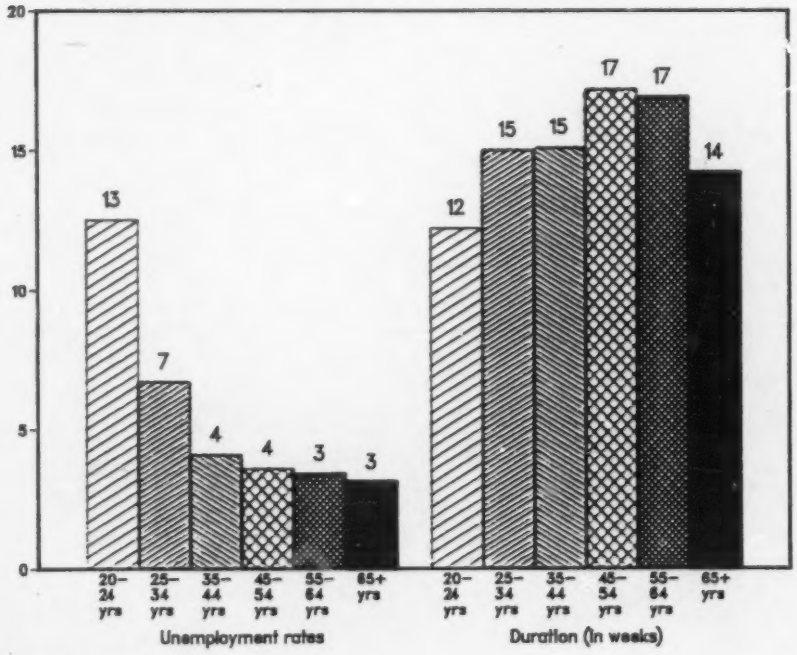
The unemployment rate is the percentage of individuals in a given group (e.g. age group) who are out of jobs but actively seeking work. Older workers as a group encounter comparatively low unemployment rates. In 1976 the unemployment rate for men over 65 was slightly over 5 percent. In 1980 the rate was 3.1 percent. For men aged 55 to 64 the unemployment rate was 4.2 percent in 1976. It was 3.6 percent in 1980.

For women, the unemployment rates are also low. In 1976 the rate for women over age 65 was 5.0 percent. This dropped to 3.1 percent in 1980. For women aged 55 to 64 the 1976 unemployment rate was 4.9 percent. This dropped to 3.3 percent in 1981.

Although older workers tend to experience low unemployment rates, the duration of unemployment tends to be comparatively longer than that of younger workers. In 1976, men over age 65 experienced an average of 22.4 weeks of joblessness; women in that age group had an average unemployment duration of 24.9 weeks. These terms were almost double those of youth and young addult workers under 25 years or age.

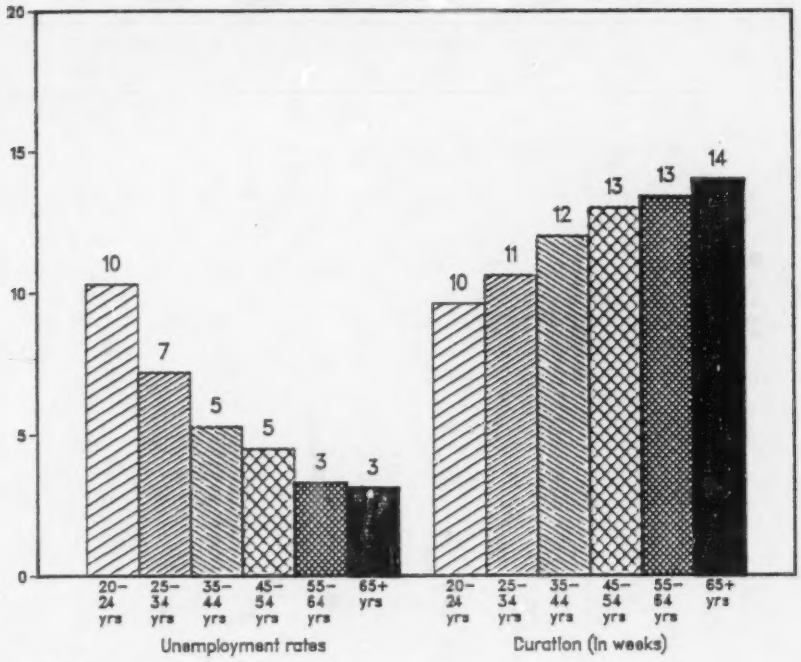
The following charts for 1980 show that the trend of higher duration of unemployment for older workers has continued. Two major reasons account for this, in part. First, older workers may lack experience in the job search after many years with only one employer or being out of the labor force. Second, these older job seekers may well encounter age discrimination.

Unemployment rates and average duration of unemployment of adult men, 1980 annual averages



Bureau of Labor Statistics
September 1981

Unemployment rates and average duration of unemployment of adult women, 1980 annual averages



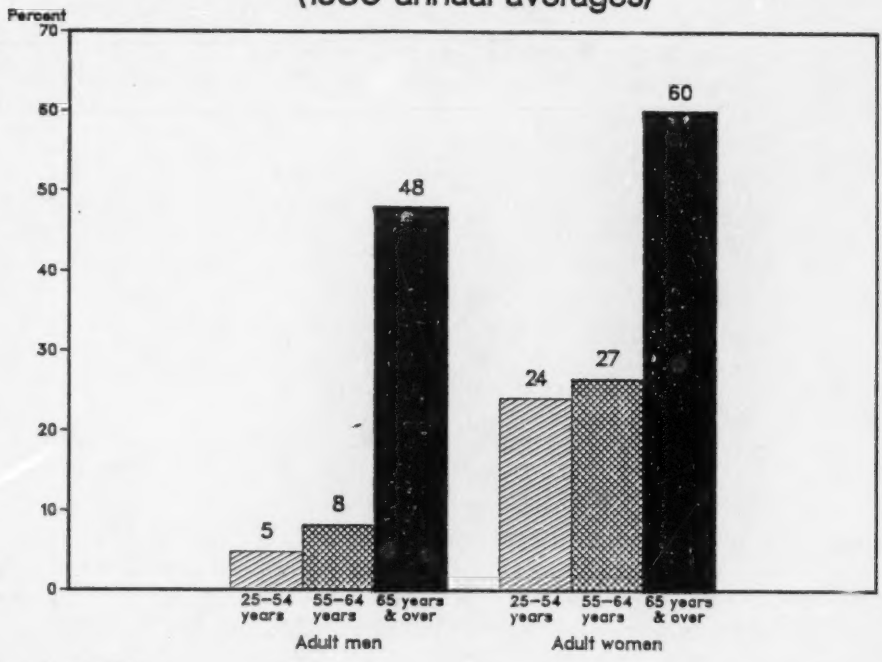
Bureau of Labor Statistics
September 1981

E. Part-time Employment and Older Workers

Part-time work is defined by the Department of Labor as ranging between 1 and 34 hours per week. Older workers, expecially those age 65 and over, prefer and seek part-time work. In 1976, 710,000 male workers and 554,000 females over age 65 worked part-time. By 1980, the number of men rose to slightly over 800,000 — an increase of 11.2 percent — and for women to 614,00 — an increase of 10.8 percent. The following charts illustrate the continuing interest of these older workers in part-time work.

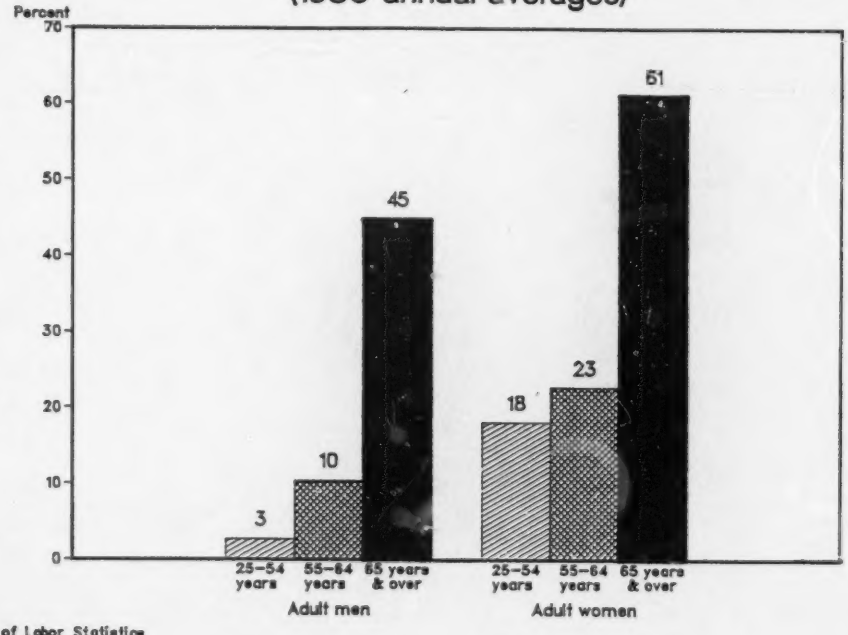
It whould be noted that popular surveys, conducted by groups such as Lou Harris Associates, underscore the growing interest in part-time employment among older workers. The Bureau of Labor statistics presented here offer stronger support of that trend.

Proportion of employed adults working part time (1980 annual averages)



Bureau of Labor Statistics
September 1981

Proportion of unemployed adults looking for part-time jobs (1980 annual averages)



Bureau of Labor Statistics
September 1981

Senator HEINZ. Mr. Secretary, would you proceed?

STATEMENT OF HON. MALCOLM R. LOVELL, JR., WASHINGTON, D.C., UNDER SECRETARY, U.S. DEPARTMENT OF LABOR

Mr. LOVELL. Let me just make a comment.

I have been interested in these stories of our older parents. My 91-year-old mother insists on reviewing her few investments, and they are all grossly profitable securities.

I am pleased to have this opportunity to appear before you today to discuss the need to promote better use of a neglected human resource, our older workers.

Clearly, as the proportion of older people in our society increases, more and more attention must be paid to the concerns of older workers, both by the public and the private sector. At the Labor Department, we are very aware of these concerns and the need to better utilize the tremendous potential that our older workers represent.

At the outset, I must state that we are at the beginning of our consideration of these matters. Briefly, we intend to adopt a suspension of benefits regulation providing that private pension benefits may not be suspended if a retiree is employed 40 hours or less a month. Also, we support removal of the social security earnings test. We are now engaged in a coordinated, integrated examination of the older worker program in the context of our review of employment and training programs under CETA. At the current time, no final decisions have been made on the shape of this legislation. In any case, we intend to increase the efforts of the Department of Labor as much as possible within the constraints of our current budget situation.

Everyone here is aware that the age distribution of the population will be shifting dramatically over the coming decades. The following table shows some major demographic shifts that will occur between now and the year 2000, and some labor market changes we can expect. Let me summarize the major implications of the data in the table.

[Information follows:]

Civilian Population and Labor Force 16 Years and Over by Age, Selected Years 1980 - 2000 a/

Age	Civilian Noninstitutional Population (in 000's) b/			Civilian Labor Force (in 000's)		
	1980	1990	2000	1980	1990	2000
16-24	36,156	30,017	31,088	24,623	22,607	24,276
25-44	60,562	76,170	74,283	48,394	66,274	66,761
45-54	22,553	25,076	35,555	16,926	19,342	27,873
55-64	20,981	20,555	23,014	11,755	11,101	12,488
65 and over	23,892	28,311	30,095	3,021	3,051	2,757
Total	164,144	180,129	194,035	104,719	122,375	134,155

Age	Percent Distribution of Civilian Population			Percent Distribution of Civilian Labor Force			Labor Force Participation Rate		
	1980	1990	2000	1980	1990	2000	1980	1990	2000
16-24	22	17	16	24	18	18	68.1	75.3	78.1
25-44	37	42	38	46	54	50	79.9	87.0	89.9
45-54	14	14	18	16	16	21	75.0	77.1	78.4
55-64	13	11	12	11	9	9	56.0	54.0	54.3
65 and over	14	16	16	3	3	2	12.6	10.8	9.2
Total	100	100	100	100	100	100	63.8	67.9	69.1

a/ 1980 data are from the Current Population Survey prior to adjustments for the 1980 Census. 1990 and 2000 labor force counts are based on the Bureau of Labor Statistics middle growth path.

b/ 1980 figures are based on Bureau of Census data adjusted downward to exclude the armed forces and institutional population. 1990 and 2000 figures are based on Bureau of Census Series II projections adjusted to exclude the armed forces and institutional population. Age-specific institutionalization rates were held constant between 1980 and 2000.

Source: Department of Labor, Bureau of Labor Statistics.

Mr. LOVELL. The most important demographic shift in the coming decades concerns the changes in the number of older and younger persons as a percentage of the population. While the number of older Americans as a percentage of the population in the year 2000 will not change from its current 27 percent, the proportion of younger Americans in the population will decline by 6 percent.

Accordingly, a marked change is going to occur in the structure of the available work force. In the past, the great influx of younger workers created enormous pressure to remove older workers from the labor force. In the future, the demographics will work in favor of retaining older workers in the labor force.

I must emphasize, however, that the labor force figures contained in the table are based on current data. Consequently, the projections in the table are not the final word, especially when coupled with the labor market demands that the Department foresees in the coming decades.

Over the next 1½ decades, it is estimated that the economy will have to produce only half as many new jobs to absorb new labor force entrants, of both sexes and all ages, as was necessary during the last 1½ decades. With a strong economy, this will mean much tighter labor markets, and even with a weak economy, the demand for labor should be stronger than in the recent past. As past studies have shown, tighter labor markets encourage increased participation among older workers and somewhat discourage early retirement.

The substantial reduction in the pool of younger workers entering the labor force will help older Americans in other ways as well. With fewer young, higher trainable, and less expensive workers, employers will value more highly their skilled and semiskilled older work force. Moreover, large wage differentials between younger and older workers in similar occupations are likely to diminish as young workers become very scarce. This, again, will make older workers relatively more attractive to employers.

The industrial and occupational outlook we see for the coming decade also holds great promise for private sector creation of the kinds of flexible employment opportunities older Americans are demanding. This will be especially true in industries such as retail and wholesale trade, finance, real estate and insurance, where the demand for part-time workers is expected to grow. The Labor Department will encourage this development and stimulate the private sector to create as many job opportunities for older workers as possible.

With an increasingly older population and work force, greater attention will have to be paid to those factors which intentionally or unintentionally restrict participation in the work force by older Americans. A study conducted by the Department of Labor pursuant to section 5 of the Age Discrimination in Employment Act, indicated obstacles to older worker participation in the labor force. Let me list a few of the factors that we see as reducing employment or employment opportunities for older workers: The benefit structure of social security which may encourage early retirement before age 65; the "retirement test" under social security; and continuing age discrimination in employment.

While it is clear that many of these issues are beyond the programmatic authority of the Labor Department, we intend to assist older workers who desire to more fully participate in our labor force to do so. But we recognize that some of these factors are really disincentives to increased older worker particaipation in the labor force and are a natural consequence of programs designed to aid the elderly. What we must do is encourage more flexible arrangements for continued work after retirement.

Before addressing some of the steps we are considering, I would first like to discuss some of the research efforts and older worker programs that we currently administer in the Department.

Now, as far as some of the Department's research activities, as the committee knows, under section 3(a) of the ADEA, the Secretary of Labor is required to undertake studies and provide information to labor unions, management, and the general public concerning the needs and abilities of older workers. To meet this responsibility, the Department has utilized the Employment and Training Administration's Office of Research and Development to conduct a program of research and experimental demonstration projects. The Department has recently completed several studies which should be of interest to the committee. I would be happy to provide the committee with the titles of these studies if it so desires.

With regard to ongoing projects or research, there are several with which I am sure the committee is familiar, including: Demonstration of development and testing of alternative employment patterns for older workers; postretirement work experience of nonsupervisory personnel; and early retirement and the labor market dynamics of older workers.

Consideration is also being given to undertaking a wide range of projects involving tapered or phased retirement, employment-related problems of minority older workers, factors associated with continued employment versus withdrawal from the labor force, employment needs of retired workers, relationships between age and employment, ways to increase the labor force participation of discouraged older workers, the occupational capabilities of middle-aged and older workers, and an appraisal of the senior community service employment program. At the current time, we expect that research under title III programs for older workers will amount to $1.4 million. Plans are perhaps not as far along as possible, but now that Mr. Cogan, the Assistant Secretary for Policy, Evaluation, and Research is with us, we wwwe will be able to finalize our research plans.

Finally, as the committee also knows, the Department has published various reports concerned with older workers and has supported the professional journal Aging and Work. But I can assure you that I do not consider these efforts adequate to meet the mandate of section 3(a). I will explain later some of the ideas we are exploring to meet this mandate.

With regard to section 308 of CETA and title V of the Older Americans Act, with the current budget and situations, it will be difficult to allocate substantial resources under title III to section 308. However, I am aware of our responsibilities under this section and hope to meet them as much as possible. At this time, our in-

tention is that moneys expended for older workers under section 308 will total $500,000.

With regard to the senior community service employment program, the committee is well aware that previous decisions were to focus the program on providing employment for disadvantaged older Americans. The 1978 amendments permitted the Department to utilize 1 percent of the amount appropriated for activities related to improving the transition of older workers to private employment. As the committee also knows, this option has not been exercised because section 308 funds are being utilized to fund demonstration projects in this area, and moreover, any diversion of SCSEP funds would result in a probable reduction in the number of jobs that are supported by the appropriation.

I know the committee is particularly concerned about facilitating the transition of older workers to the private sector and would point out that this year's national SCSEP conference is emphasizing the theme, "Transition to the Private Sector." It will be held in Baltimore in early November, and one of the goals is to achieve a working partnership with private sector employers and to find a vehicle for middle-aged and older workers to reenter and remain in the labor force. We expect that this conference will be useful, and provide us with much guidance as to the efforts and level of resources that are needed to make this program effective.

Future action. As I stated at the beginning of my testimony, we are not far enough along in our consideration of future training and employment programs. This is a time of scarce resources; it would be inappropriate to imply that major new programs in this area will be proposed during this administration. As I pointed out earlier, the changing demographic structure will tend to alleviate some of the employment problems confronting older Americans. However, as the President has so often stated, our primary focus must be on stimulating economic growth. Moreover, we at the Labor Department can facilitate a smoother working of the labor market to solve the employment problems of older workers. Very serious consideration is being given to how best address the obstacles I have discussed, but because of budgetary uncertainties, commitments are difficult to make.

Some of the steps that we are considering include:

A compilation of research and policy studies related to public and private pension employment incentives.

An information program on older workers for private employers.

Development and implementation of recommendations for changing the orientation of the title V senior community service employment program to directly involve more private sector employers.

Conferences to solicit the views of private sector employers regarding an initiative for older workers.

A compilation of available research on existing personnel and pension plan modifications which benefit older workers.

Coordinating work with EEOC to prepare a general publication explaining the various aspects of age discrimination in employment.

Appropriate cooperative agreements with other agencies such as the Departments of Commerce, and Health and Human Services.

The creation of an organizational focus on older worker issues within the Department in order to coordinate the various efforts to be undertaken; and

Establishing a private sector committee to aid the Government in developing appropriate policies.

In addition to these policies which we are considering, we are in the process of taking several steps which will significantly diminish the obstacles noted above. These include:

President Reagan's support of removing the earnings cap on social security recipients so their benefits will not be reduced by dollars earned over a certain level; and the Department's intention to make effective January 11, 1982, its repeal of the current suspension of benefits regulation. The new regulation will allow retirees to work 40 hours per month without any loss of their pensions. Certain technical revisions in the regulation are now being made—technical revisions which originally caused delaying the effective date.

I hope that the preceding will be of benefit to the committee as we work together to find the most effective way to increase the full participation of older workers in our work force. Clearly, policies now in effect will no longer be applicable as we move toward the turn of the century. The situation is complex and will require careful and deliberate consideration. Indeed, the ramifications of many of the changes under study are enormous and can only be taken after thorough examination and full debate.

The committee's print, "Toward a National Older Worker Policy," presents an effective framework within which to commence dialog. I look forward to working with this committee to develop a consensus on the most appropriate policies to deal with these problems.

Thank you very much for inviting me to testify today and I would be pleased to answer any questions which you and the committee members might have.

Senator HEINZ. Mr. Secretary, thank you very much.

I have many questions and I am sure we are not going to get to all of them. We may have to submit some of them for the record.

Let me ask you a very central question.

Although on page 5 of your testimony you do enumerate a number of important concerns—the shift in the benefit structure of social security, the retirement test, and continuing age discrimination in employment. Given the fact that the Congress in 1978 was successful in raising the mandatory retirement age from 65 to 70, how can the Reagan administration not support elimination of age 70 for mandatory retirement if it is truly for freedom of individual choice?

Mr. LOVELL. Well, we have taken a very major step in changing the retirement age from 65 to 70, which could require an individual to retire. It is not a mandatory age. It is an age below which you cannot——

Senator HEINZ. At age 70 an employer can force you to retire, even if you are ablebodied, and if you are hitting on all cylinders; and I think of the 112-year old muleskinner from the Civil War that I met when I was a Member of Congress, who was laid up at 112 in a hospital because he had slipped running for the streetcar.

Why should this Nation's policy, or this administration's policy be any other than for eliminating the age 70 mandatory retirement?

Mr. LOVELL. I think the administration is examining this issue very carefully. It is true we do not have a firm policy on that or a firm recommendation as of this moment. But obviously, it is something that has to be looked at very carefully.

Senator HEINZ. Should not that be part of the regulatory reform?

Mr. LOVELL. It is an issue that needs to be studied and examined. Depending on what decision is made, of course, it could be a part of the regulatory reform process.

There are some legitimate questions about the desirability—although I must admit, the closer I get to 70, the less impressed I am.

Senator HEINZ. The questions of desirability all revolve around questions employers have regarding, how we should help them run their businesses.

Now, if you believe in the free enterprise system, why should we not allow employers to deal with that problem rather than the Federal Government?

Mr. LOVELL. That is what we do now. We do not say an employer must retire somebody at any age. We just say they may not retire them prior to 70 purely for reasons for age.

Senator HEINZ. We all know what the effect of that is.

Mr. LOVELL. Really, what we are saying, and I am not completely unsympathetic, perhaps we may wish to continue the employer's right of making a judgment in terms of turnover, particularly if it is top management. In other words, leaving to their judgment the kinds of people that can best run their corporation.

Senator HEINZ. Let's get to the bottom of this.

What right does an employer have to tell somebody who is able-bodied and is doing a good job, to quit?

What right exists? You used the word "right," and I would like you to explain it.

Mr. LOVELL. Under present law, the employer does have that right. All we are doing is removing that right from him.

Senator HEINZ. Why should he have that right?

Mr. LOVELL. That is a legitimate question to explore.

I am not saying that the administration is or will come out opposed to that. I am saying it is under study and it is not a question to be resolved lightly. It is an important thing to say the Federal Government will not allow an employer to make a judgment as to whether somebody would be obliged to retire beyond the age of 70.

The restriction is on the employer's freedom and, on the other hand, it gives special rights to people which do not now exist in the private sector.

Senator HEINZ. Given the fact that the law of the land today, I think wrongly, does grant employers the right to terminate employment at age 70, for totally arbitrary reasons—that right, of course, confers certain obligations and their obligation is best contained in the Age Discrimination Employment Act, which says you cannot discriminate against somebody below age 70 because of age.

Now that obligation not to discriminate, in order to be meaningful, has to be enforced.

Does the administration favor vigorous total enforcement of discrimination on the basis of age that occurs against older workers?

Mr. LOVELL. Absolutely.

Senator HEINZ. What steps is the Labor Department taking by itself or in conjunction with the EEOC, which is the agency responsible for enforcing this policy to put some teeth in it, because frankly, the last administration did not do much about it at all?

Mr. LOVELL. It is my understanding that the enforcement responsibility is with EEOC and not with the Labor Department.

I suspect, and I cannot say for certain because I am not sure, that if we were to find evidence of age discrimination in other activities for which we do have authority, that would be communicated to EEOC.

Senator HEINZ. Is the Department of Labor consulted on the policies of EEOC, the enforcement policies?

Mr. LOVELL. I think as EEOC appointments are made, that we certainly will be. We do have, as you know, Senator, in the administration, a really very effective and quite different process of decisionmaking called the Cabinet Council System. In my brief period, I have been very impressed by the kind of tough discussions that go on at the staff level, interchanges that would normally not take place at that kind of a meeting. You get high-level discussions of issues with this charter.

I believe these kinds of discussions will take place on this issue and other issues affecting older workers.

Senator HEINZ. One question before I turn to Senator Grassley. In terms of the appointments to the EEOC, does the Department favor appointing to that Commission someone who may have some special expertise in the area of age discrimination?

Mr. LOVELL. Were we to be consulted on that appointment, we would certainly urge that as an important consideration.

Senator HEINZ. Thank you, Mr. Lovell.

I think that is very important and I commend you for that.

Senator Grassley.

Senator GRASSLEY. My questions are somewhat unrelated to what Senator Heinz brought up, but I do want to express my personal views about the age 70 situation.

Originally, in 1978, I supported taking off the limit for both private sector employment, as well as public sector employment. But as a matter of compromise, it had to be at 70 in order to get the legislation through.

So, obviously, it was one of expediency, to get some legislation passed. But I looked at it as a first step toward taking it off entirely. So what we are pursuing here should be of no surprise to anyone.

On the other hand, I think there are some misconceptions that the whole subject of removing the age limitation or even raising it from 65, as we did in 1978. One of those misconceptions comes from those who feel that we are doing it because we want to force people to be in the work force.

That is false. The other one might be that even maintaining any limit you still have the principle of discrimination in the law. So what really have you accomplished?

My own feeling on it is that we ought to judge people on their ability to do their work, their productivity, in other words, you would make the same judgment whether somebody 65 or older ought to continue their employment, as you would someone under 65.

In other words, their ability to do the job that is set out for them to do, the purpose of their employment. The whole goal is to force management to look at a person's performance, and to judge it on the basis of performance, and not upon some arbitrary age.

And I do not know about private employment, but I sense at least in public employment, particularly in the education field and of public employment, that mandatory retirement has become a crutch for poor management—or I should say a crutch for management, and I guess I would add my own analysis of it, poor management, when people want to use the law to force retirement opposed to making a management decision as to whether or not somebody is doing their job the way they should.

So what we—I should not speak for my colleagues—but what I want is an environment here, regardless of age, post-65 or pre-65, where people are judged on their ability to do their job and that people have the opportunity to work or quit work whatever age they decide they want to.

Now we have, going to my questions, we have a situation where we have tried to encourage private employment of people over 65.

But we also have some public employment and some programs that are to provide some employment for people over 65, and some of this is done through title V, and the contractors under title V.

I want to know whether the 15-percent administrative fee that is in these contracts, whether that is set in concrete, or whether that 15-percent can be more or less, and I am thinking particularly that maybe it is too high.

Mr. LOVELL. I know of no requirement under the law that would require a set fee, Senator. I am not that familiar with it, but I cannot think of any reason why it would be mandated.

Senator GRASSLEY. Then perhaps what I ought to do is give you an opportunity after the meeting to have you and your staff go over the question, and review the 15-percent figure, particularly review whether or not it could be something less, and then respond in writing.

Mr. LOVELL. We would be pleased to do that.

[Subsequent to the hearing, Mr. Lovell supplied the following information:]

The limitation on administrative costs within a title V contract of 15 percent has been imposed through Department of Labor regulations. There is no mention in the enabling statute of any dollar or percentage limitation. Generally, this upper limit figure is lower then that imposed in other programs administered by the Employment and Training Administration.

In each individual contract, however, the specific amount to be utilized for administrative costs is the subject of negotiation and the 15-percent figure should be viewed as a maximum. In point of fact, the average planned level of administrative costs for the grant period July 1, 1981 to June 30, 1982, is less than 12 percent. The actual amount of Federal administrative cost is determined on a grant-by-grant basis and may depend on such factors as:

(1) The availability of local matching resources.

(2) The nature of the project itself (whether high enrollee support or service oriented).

(3) The location of the project, i.e., urban, rural.

Senator GRASSLEY. We learned in our field hearings in the quad cities, that very little, if any, of the 15-percent fee goes to grassroots administration of title V, and very little of it goes to the over 600 area agencies on aging, the network that administers some of the Older Americans Act employment programs. So I think that it is important we review that so if there is money that is being expended here in Washington, or at the national level, that might be better used at the local level.

Well, I guess I would say that if it is needed here, then it be provided for jobs for people to get it out of the administrative overhead and get it into the employment of senior citizens. At least explore, if it is necessary to use it for administration, at the lower levels, so it is closer to the clientele we are trying to serve.

Then I guess, last, I wanted to tell you that in testimony Senator Percy and I, received in the quad cities, the Iowa Civil Rights Commission testified that 10 percent of its cases involved age discrimination.

I think that is important testimony. Maybe it has something to do with the fact that my State has the third highest proportion of the population that are senior citizens. I also think because in our State, people, if they have an opportunity, work. The work ethic seems to be stronger and they want to continue their employment. That may be another reason, but it may also be an astounding statistic in the sense that there is a lot to be done in this area, and obviously if we increase or take the limit off of 70, it is going to be more important that we pursue the abolition or—I should say the reduction, of age discrimination.

Senator HEINZ. Senator Grassley, thank you very much.

Senator Percy.

Senator PERCY. I just have one question, Secretary Lovell.

The witnesses in our field hearings recommended three changes in title V. I wonder if you could comment on these recommendations, and tell us whether the administration is actually considering modifying title V to increase the emphasis on private unsubsidized employment.

The first recommendation was waiver of the requirement that enrollees be employed in public sector employment, so they could work in private sector jobs?

Mr. LOVELL. I think we would look very favorably on that.

Senator PERCY. Emphasis on formal training to include skills relating to new technologies for business and operations?

Mr. LOVELL. Yes, I would think so, surely.

Senator PERCY. Finally, training for title V program staff in their counseling of older workers.

Mr. LOVELL. I would think that would be the logical thing.

Senator PERCY. Emphasis placed on preparing them for changes in their life that do come about and add this to counseling.

I thank you very much.

Mr. LOVELL. Thank you.

Senator HEINZ. Senator Percy, I thank you.

I have one or two questions for the Secretary.

In 1979 the Department of Labor devised a regulation, as I understand it, in the Age Discrimination Employment Act, which al-

lowed and still does allow the employers the option of not extending pension credits beyond age 65.

Now you have cited the nonaccumulation of pension credits after age 65 as a work disincentive for older workers. I would conclude that you are going to change that regulation.

Do you intend to?

Mr. LOVELL. That is not necessarily so. There are disincentives that I think we, in the testimony, cited, and appropriately. It is a disincentive, but that does not necessarily mean that we would advocate removing it.

Senator HEINZ. Why do you cite it if you do not want to remove it?

Mr. LOVELL. I asked that question of the people who wrote the testimony myself. In all fairness, I think it needs to be said that it is a disincentive. We need to recognize that. We just cannot talk about the things that we are going to change by law. This also relates to the question of retirement at the age of 70.

What we are saying is that we are going to require private pension plans to do A, B, C, D, whatever it is we want to do. I think there are limits to what the Federal Government should say that private pension plans have to do. I think it is that issue that we are dealing with here, to allow private companies to do things that they feel are in the best interest of their employees, and their own financial interest in the long term.

I worry a little bit when we start being wiser than they, and telling employers and their unions what they have to do with their pension plans. There is no law that forbids them from doing that. They can do that today. They are not kept from doing it. They can have a mandatory retirement age of 97. They do not have to make it 70. They just cannot make it under the age of 70.

Senator HEINZ. Mr. Secretary, let me point out something.

We do have a law that forbids age discrimination below age 70. That is a law. Now, it is all very well for you to say that we want to leave it up to people who run pension plans to decide what they want to do. But, in fact, it seems to me that your regulation is simply inconsistent with the law of the land because it permits discrimination.

Now, you may feel that the law of the land is wrong. Then I could understand your statement.

But as long as that is the law of the land, I don't.

Let me ask you this, though: The issue is really whether the people, as they continue to work, and continue to accrue pension benefits, will be paying in.

Why should we have a law or regulation from the Department of Labor that says these people must pay pension benefits as they work past age 65, but they are not going to get anything back for it? Isn't that what the current regulation really says?

Mr. LOVELL. No, I do not think it says that.

Senator HEINZ. Isn't that what it permits?

Mr. LOVELL. It would permit it—it would not require it.

Senator HEINZ. Is that age discrimination, do you think? You can work and you have to pay into this pension plan, but if you work 1 year or 5 years, or anything more, you cannot get anything?

Is that discrimination based on age?

Mr. LOVELL. Let me say, first of all, that I am not saying that we should not consider changes in that regulation. I am not saying we should not consider changing the law in terms of age 70. I am just not prepared at this point to support either of those.

I am not arguing that it is not a legitimate thing to take a hard look at.

Senator HEINZ. Are you going to do that?

Mr. LOVELL. We are going to do that.

Senator HEINZ. When do you think you will be able to make some recommendations?

Mr. LOVELL. I think we should work closely with your committee, Senator, as we proceed in this regard, and keep you informed and share our concerns and judgments.

Senator HEINZ. Senator Percy, do you have any further questions?

Mr. Secretary, I hope that we can get you back here in the not-too-distant future or get Secretary Donovan in here because I think that a tremendous amount of work by the Department and Cabinet Council members remains to be done in this area.

This is one of the first times I am told that we have had someone of your rank and stature down here testifying before these issues in quite some time, and I think that it is important that this issue be addressed at the highest possible level. It is one of those things that most people go through their normal days and do not think about.

When you get to 60 or 65, and you do not work in Washington, you are wondering how you are going to make ends meet, and what the administration is going to do to your social security benefits, which I know is not something that you, but Secretary Schweiker proposed. There are uncertainties, and one of the biggest uncertainties that senior citizens now have—regardless of the fact that the Senate, by a vote of 96 to nothing, objected to anything that will unfairly or Draconianly or suddenly terminate any retirement benefits—is that they will wake up January 1 or July 1 of next year, and the possibility of retiring early at 80 percent of their age 65 benefits will suddenly disappear on them. What is happening today is, we have a self-fulfilling prophecy taking place which is absolutely counter to what the administration really wants.

The result is that the unintended consequence of trying to get people to work longer is that they are now retiring earlier out of fear. We have to do something about that.

I suggest to you that the administration has an obligation to the social security system, an obligation to our older workers, to get back to the committees of the Congress, this and other committees, with a policy that will create a positive climate in this country, toward working.

I said at the outset that I had severe reservations about anything that was going to try to coerce people into retiring earlier. I really believe that the idea of using the stick and giving senior citizens the short end of the stick—as in some of the coercive proposals to substantially eliminate early retirement benefits—is counterproductive and that we must have a much more positive approach.

I am not saying that the administration has not been forthcoming in some areas. I commend you on your proposal to reduce or

eliminate the earnings test. I commend you on some of the things you are doing on suspension of benefit questions so that we do not arbitrarily choose 40 hours, and I commend you for being here.

But I do want to emphasize there is a great need for a much more aggressive stance on this issue that would serve the administration and the American people well.

Mr. LOVELL. Well, let me make two comments, Senator. First of all, I share with you, and I think the administration shares with you, your concern on this issue. It is not only an issue of human importance for our population that is becoming increasingly older, but there is an economic necessity: This country is going to need the skills possessed by these workers.

So, both from a social point of view and an economic point of view, we are going to need to move aggressively in these ways. I think the marketplace is going to surprise a lot of people and I think we have a job to make sure that people understand the changing market conditions that we see presently, and will see over the next decade.

So I think that we are not only willing, but we are very anxious to work with you in this direction over the next few years.

Let me just make one comment on social security. I am absolutely convinced that this administration is not interested in doing anything to reduce, by and large, benefit levels of people on social security.

I do think the system needs to be looked at very carefully. The President, as I understand it, is appointing, or is going to appoint, or has appointed, a group made up of representatives of this body, and the House of Representatives, and this administration, to study this issue so that we can insure in some bipartisan way the long-term solvency of the social security system. It is the threat of insolvency that is the greatest threat, not any responsible actions to reduce the rate of increase of its cost. In discussing it we all have a responsibility to keep the level of rhetoric a little lower, and not scare people, because they have no reason to be frightened by a reasonable, responsible kind of review that I think is contemplated by the administration, and in which the Senate and House will participate.

Senator HEINZ. Very well.

Thank you very much, Mr. Secretary.

Senator PERCY. Could I just say to our next witnesses, I am sorry, I have been informed that my amendment is on the floor and being considered right now, so I have to go down and vote.

[Subsequent to the hearing, Senator Heinz submitted a list of questions in writing to Mr. Lovell. Those questions and Mr. Lovell's responses follow:]

Question 1. In testimony presented at the hearing, the Under Secretary noted that the Department is: " * * * How engaged in a coordinated, integrated examination of the older worker program in the context of our review of employment and training programs under CETA."

Please explain, as specifically as possible, what this examination consists of, what DOL officials are involved in the review and what the expected outcomes are. When can the committee expect to learn about the older worker program options and recommendations that will result from this review?

Response. As I stated at the hearing, the Department is engaged in a coordinated review of the CETA program. We have completed an overall assessment, as well as

a broad framework for reform, which has not yet been made public. Our review represents an attempt to find the most effective program in a time of diminishing resources. We are looking at which groups are appropriate to target, and what would be the best delivery system under the circumstances. Our proposals should be ready for public distribution in early January 1982. Certainly the concerns of older workers will be addressed, but the "expected outcome" for individual programs within the broad framework is difficult to report since no final decisions have been made. The principal officials in the Department with policy authority who are involved in formulating the new program are, in addition to Secretary Donovan and myself, Assistant Secretaries Angrisani and Cogan.

Question 2. Labor force demographics and projection included in the testimony indicate that comparatively slight changes in the percentages of workers aged 55 to 64, and 65 and over are expected to occur over the next 20 years. This raises several questions which the committee would like the Department to address.

First, what, if any, change would occur in these percentages if mandatory retirement were abolished?

Second, what, if any, change might occur if employers were required to credit years of service worked beyond age 65 for final pension benefit levels?

Third, what, if any, change might occur if the earnings limitation in social security were eliminated.

Finally, if all of the above were put into effect as part of an older worker policy within the next 2 or so years, what changes might occur in both the percentages of older workers (55 to 64; 65 and over) in the labor force over the next decades and what changes might occur in the labor force participation rates of these groups?

We realize full well that making such estimates may not be easy and that different data sets (BLS and social security data) may be needed to make these. The point, however, is that Congress needs some estimates to guide its deliberations on the above policy issues.

Response. An Urban Institute study recently completed for the Department of Labor estimated that as many as an additional 195,000 men age 60 to 70 would continue to work if the age 70 limit in the law is abolished. Adding our projections for men age 71 to 74 brings this total to 240,000. Based on BLS projections and the Urban Institute analysis, we can expect 32.8 percent of 60-to-74-year-old men to be in the labor force at the turn of the century if the age 70 limit is not abolished and current pension practices continue. If the age 70 limit is abolished, the labor force participation rate of men 60 to 74 could increase to as much as 34.7 percent. The current labor force participation rate of this group is about 39.2 percent.

The Urban Institute study did not estimate the effect on abolishing the age 70 limit on older women. However, an earlier Department of Labor study (see House Select Committee on Aging, 1978: 95–131) on raising the age limit from 65 to 70 showed that the impact on women was 70 percent of the impact on men. Applying this differential to the Urban Institute's findings for men yields an estimated increase of 111,600 in the female labor force age 60 to 74. At the turn of the century this would mean 19.9 percent of women of age 60 to 74 would be working if the age 70 limit is abolished. If the age 70 limit is not abolished, 19.2 percent of these women are expected to be working. The current labor force participation rate of women 60 to 74 is about 18.4 percent.

The Urban Institute study referred to above also included an estimate of the effect on older males of requiring employers to make approximate actuarial adjustments in private pension benefits deferred past age 65. If the age 70 limit is abolished and 10 percent per year adjustments are required for retirement delayed past 65, this study estimated that only 67,700 (less than 1 percent) more men age 60 to 70 would continue in the labor force.

The authors of the Urban Institute study acknowledge the weakness of their estimate from the point of view of methodology. However, a more recent study for the Department reaffirms that policies, such as requiring continued pension credits after age 65, are likely to have little effect on labor force participation.

A 1979 BLS survey of 1,253 establishments with 100 or more full-time permanent employees showed that 47 percent of pension plan participants continue to accrue service credits regardless of their age. An additional 9 percent have limits on creditable service but at an age later than 65. Thus, requiring all employers to continue crediting service after age 65 would affect only about 25 percent of older workers, since only about half are covered by private workers, and half of these do not have an age-65 limit on credited service.

Evidence on the impact of eliminating the social security earnings limitation on labor force participation is mixed. A review of recent studies being undertaken at the Office of Research and Statistics of the Social Security Administration shows

that the earnings of those working and receiving a social security benefit increases when the limit is raised. However, according to the Office of Research and Statistics study, this effect seems to be limited to workers earning near the limit. Workers with earnings well below the limit do not appear affected by a change in the limit.

In addition, data from social security records suggest that few, if any, workers choose to stay in the labor force or reenter because of changes in the earnings limit. Unfortunately liberalizing the earnings limitations is qualitatively much different than eliminating it entirely.

Two recent studies which attempted to estimate the labor force participation effects of totally eliminating the earnings test came to differing conclusions. Jeffrey Carliner, in a 1980 study for the Department of Labor, concluded that "eliminating the earnings test will not increase labor supply." Carliner's conclusion is based primarily on his finding that higher wage rates did not result in significantly more labor force participation among social security recipients. He argues that, since current recipients are not responsive to the wage rate and elimination of the earnings limitation is similar to the raising of the net wage rate, there will be little effect on labor force participation.

In contrast to Carliner's study, a 1977 study by Michael J. Boskin suggests a significant increase in labor force participation if the earnings limitation is abolished. Boskin's estimate implies a 50-percent reduction in the "probability to retire" each year after age 65 if only the tax on earnings over the limit were reduced from one-half to one-third. Both of these studies have their weaknesses, and accordingly, it is not possible to estimate with any confidence the effect on labor force participation of eliminating the retirement test. However, if there is an effect, it will be to increase participation.

It is clear that taking any of the above steps will have a minimal effect on slowing the rate of decline of labor force participation among older workers.

Question 3. In the Department's testimony, note was taken that the administration favored phasing out the earnings limitation because it was a work disincentive for older individuals. What is the administration's position on the accrual of pension credits beyond age 65?

Response. As I stated in my testimony, the administration does not oppose the policy of certain pension plans to accrue pension credits beyond the age of 65. In fact, at the present time, approximately 50 percent of existing plans do accrue. However, in terms of requiring plans to accrue credits beyond the age of 65, the administration does not have a position.

Question 4. It was noted that under title III of CETA, the Department expects to allocate $1.4 million for research on older workers. What is the total funding level for all research under title III and what percentage is allocated for older workers?

Response. Total research funding under title III of CETA is expected to amount to $14 million. Accordingly, the $1.4-million figure for older worker research will be 10 percent of the research budget.

Question 5. On page 10 of the Department's testimony, a number of older policy and program considerations are listed. Please elaborate on these proposals and prioritize them in terms of importance to the Department and likeliness to be put into effect in the next year or so.

Response. Our highest priority among the items listed at page 10 is changing the orientation of the title V SCSEP to directly involve more private sector employers. We are already engaged in this process. Additionally, because of the freeze on publications, it is difficult to deal with the recommendations involving dissemination of information. The other items are certainly important and listing them in terms of priority is part of our CETA review process. In any event, I suspect that it will be possible to schedule a conference to discuss these issues within the next year or so.

Question 6. Part-time work for older workers is generally viewed as a positive employment opportunity. But how many older workers who work part time receive—or do not receive—pension benefits, life and health insurance? Is the Department planning to review part-time work policies for older workers to assure that they are not exploited and that they receive legitimate wages and benefits for their work?

Response. In a supplement to the May 1979 Current Population Survey, the Census Bureau obtained information on workers covered by private pensions and health insurance. Coverage for group life insurance was not requested. Special tabulations by the Department of Labor indicate that 73 percent of men and 74 percent of women 60 or older and working less than 35 hours per week were not covered by either a private pension or group health insurance. These percentages are not very different from those for younger part-time workers. Among part-time workers under age 55, 72 percent of men and 81 percent of women were not covered by either a private pension or group health insurance. Of course, most of the over-65 part-time

workers, and some of the younger part-time workers, would be eligible for medicare or medicaid. Of the two types of coverage, health insurance is the more common. Twenty-four percent of part-time male workers 60 or older have health insurance coverage, while only 13 percent have private pension coverage. Among part-time older female workers, 25 percent have health insurance coverage, while only 11 percent have pension coverage.

Question 7. What are the administration's specific plans to eliminate the earnings limitation in social security? When will legislative proposals come before the Congress to accomplish this?

Note.—We realize that this issue crosses over several Federal agencies, including the Department of Health and Human Services. Nevertheless, we would appreciate an effort on your part to respond to the question.

Response. As you will remember, the President's May 12, social security proposals included elimination of the earnings test. Since those proposals were rejected, I do not expect any new proposals to be sent to the Congress until the recently created Presidential Task Force on Social Security reports its findings and recommendations in 1983.

Question 8. An interim report to Congress on the effects of raising the mandatory retirement limit to age 70 indicates that abolishing that age limit would have few, if any, negative impacts on other groups in the labor force and, in fact, create employment opportunities for many older workers aged 60 and above. In light of these findings, can we expect the administration to recommend abolishing mandatory retirement? If not, why not?

Response. As I stated at the hearing, the law does not require employers to retire workers at age 70. Many in fact do not. In the next few years, as younger workers become increasingly scarce, pressure to retain older workers will increase. I would also point out that when Congress amended the age discrimination law in 1978 raising the limit for protection under the law from age 65 to age 70, it required the Department to study the effects of that amendment and to make recommendations to the Congress based on the data. As you know, we recently released in interim report on the subject and, pursuant to congressional mandate, will make recommendations next spring. It would be premature for the Labor Department to state a position on the issue until all the relevant information has been analyzed and the report presented to Congress.

Senator HEINZ. Our next set of witnesses will be a panel consisting of Dr. Harold Sheppard, associate director for research and evaluation, the National Council on Aging; Douglas Kuhns, assistant director for research, the International Association of Machinists and Aerospace Workers; and John Post, executive director of the Business Roundtable.

Gentlemen, welcome.

I would like to ask Dr. Sheppard to please be our leadoff witness.

STATEMENT OF HAROLD L. SHEPPARD, PH. D., WASHINGTON, D.C., ASSOCIATE DIRECTOR FOR RESEARCH AND EVALUATION, THE NATIONAL COUNCIL ON AGING

Dr. SHEPPARD. Thank you, Senator. I have a brief statement.

First of all, I would like to point out that compared to 25 years ago, when I first started to look into the older worker topic, I would have said that I would never have predicted that in 1981 there would be as much interest in the private sector side, the employer side, in the older worker topic.

I think we have made a lot of progress there but we still have a long way to go.

The history of this topic of the older worker problem has been undergoing a three-stage development. In years past, we were first preoccupied with the "discovery" of the problem—revealed, for example, in prolonged periods of joblessness once unemployed, more prolonged than for younger unemployed peers. It is the duration of unemployment that is critical when it comes to older workers.

It is shown, for example, in the higher rate of "skidding" if the older unemployed worker did find reemployment; by that I mean the new job is lower in status or pay than the previous regular one; or as shown in various forms of discrimination in hiring, promotion and, of course, employer retirement decisions which have preoccupied much of this discussion today.

That phase of "discovery" continues today, but it later was supplemented by what I call a long period of persuasion, of trying to convince employers, unions, and Government of the fact that problems and discrimination did prevail. The methods of persuasion consisted chiefly of: (1) Appeals to the do-goodism motive; (2) attempting to show that deep-rooted beliefs or stereotypes regarding work and aging were basically that—stereotypes, myths, or at best, half-truths; (3) claims that the social costs of neglecting the issue could be measured in terms of losses to GNP; increases in welfare and health costs; and costly premature retirement—in other words, as a misuse and waste of valuable human resources.

I think, by and large, that we can go well beyond the steps or stages of problem discovery and disclosure, and beyond appeals to do-goodism, or corporate social responsibility, and concentrate on two practical dimensions in the eighties.

We are moving into a third stage. To repeat, I think we can go beyond the first two steps, the problem of discovery and disclosure, and beyond appeals to do-goodism, or so-called corporate social responsibility, and concentrate more on the practical measures. That is where we are at. That is where we need greater emphasis.

If you allow me to grind one of my axes, there is a need for more emphasis on experimentation and research, and what are the best, most effective methods.

The first aspect of this is to accelerate the dissemination and acceptance of the viewpoint that employers would benefit, in straight managerial/company performance terms, by developing a broad positive older worker policy, based on practical considerations more than on public relations or corporate social responsibility grounds. I am not saying these are unimportant, however.

The second dimension is the requirement that older workers advocates and consultants get down to specifics, to the very tedious task of developing and constructing new, and acquiring awareness of already existing, concrete procedures and personnel policies that can assist interested employers in their dealing with the older worker topic. More specifically, with an aging work force. We know why we should move on this issue. Now we must expand on how we will move.

With few exceptions, there is nothing basically radical or earth-shaking about these concrete procedures and policies, although for the individual enterprise or the individual manager, old habits may have to be restructured.

Without elaboration, some of these what-to-do's and how-to-do-it's are as follows. I hope that they can be the basis of some of our discussion today.

Starting with workers as young as 40 and continuing thereafter, effective programs for updating of skills to prevent or reduce odds for skill obsolescence.

Practical, reality-oriented career counseling for adult and older workers, not just for youngsters, partly to develop better utilization of resources, partly to prevent or reduce "burn-out," "plateauing," or obsolescence in subsequent years—especially among professional, managerial, and technical personnel.

Expanding effective opportunities and programs for moving into second careers, even third or fourth careers—through private employer policies and programs, and/or through community-based institutions.

Expansion of an effective dissemination strategy to company decisionmakers and practitioners of the basics and the practicalities involved which I think in the total statement of the Secretary was referred to, publications such as the Journal on Aging and Work, started in 1969 under the auspices of the Department of Labor, published by the National Council on the Aging, and still supported by DOL. I hope that support continues.

The creation of options for continued employment for people in traditional "retirement years," such as part-time employment; job sharing; or other forms of gradual retirement, leading toward a postponement of total retirement.

The development of a cadre of trainers who need to be trained themselves in any special techniques of skills training for expediting the training of older workers facing new jobs, or technological change. Among these techniques would be computerized self-pacing learning technologies.

We need a special focus on the orientation of the small business employer sector regarding the utilization of older workers. Despite the fact that job growth is greatest in the small business sector, it receives and devotes the least attention to the older worker topic.

Through Government, community, and private sector support, the development, improvement, and expanded utilization on what I call "intermediary agencies" for meeting the specific job needs of older workers, and I mean in the full range of occupations, and matching those needs with those of employers seeking new hires.

Special programs are needed for sophisticated job-search assistance for older workers from all types of occupational backgrounds.

And finally, and I mention this because of some of the discussion here, I think the public as well as the employer community need a greater awareness of the existence of the Age Discrimination in Employment Act. I now have some recent data on what percentage of the public know about it, and to me it was surprisingly low. I am so preoccupied with the issue that I thought everybody knew about it. But as Will Rogers once said, we are all ignorant, just about different things.

I want to reduce that level of ignorance.

I guess I had better stop there.

Senator HEINZ. Thank you.

Mr. Kuhns.

STATEMENT OF E. DOUGLAS KUHNS, WASHINGTON, D.C., ASSISTANT DIRECTOR FOR RESEARCH, THE INTERNATIONAL ASSOCIATION OF MACHINISTS & AEROSPACE WORKERS

Mr. KUHNS. My name is Douglas Kuhns and I am currently assistant director of research for the International Association of Machinists & Aerospace Workers. I do all of my department's work on employee benefit plans for our members, and I am involved rather consistently in negotiation of employee pension and benefit plans. I have been employed in that capacity for over 7 years with the Machinists and, prior to that, for 16 years with three other union organizations.

In the course of my work experience, none of these organizations has had a very explicit policy directed toward the employment of older workers. In all of these cases, however, the organization has had a consistent view that the matter of an employee's termination or continuation on a job should be governed by the terms of the collective bargaining agreement. Such agreements have traditionally provided that an employee should hold his job by seniority status for so long as he is able to perform the work of his job as specified by the employer with safety for himself and others. The presumption that all of this might cease at age 65 or some other age, has been largely the result of employer efforts to utilize pension plans as a vehicle of termination policy.

The absence of an explicit union view on this subject, as reflected in the job tenure provisions of labor contracts has, however, led to a rationale that can be described as retirement volunteerism. That is to say, labor agreement provisions having to do with retirement have increasingly emphasized that the issue of when an employee is to retire should be a matter of his choice.

As a result, the ADEA amendments of 1978 found a relatively friendly environment in collective-bargaining agreements. Although some employers have wanted to negotiate the new allowed mandatory retirement age of 70 into pension agreements, many have been satisfied to allow a normal retirement age of 65 to simply become voluntary instead of compulsory. Indeed, it is fairly clear that a number of them recognized the cost-savings of post-65 retirement and it would presumably defray much of the cost of collectively bargained early retirement provisions. Thus, the ADEA amendments certainly reenforced the union tradition of retirement volunteerism.

Several related issues remain, however, which provide impediments to the use of older workers presumably encouraged by the ADEA amendments. The regulations issued under that law allow an employer to grant no pension credit after age 65. This was designed to encourage employers to retain people over age 65, but it dissuades employees from staying.

For employees continuing after age 65, the employer has to provide a medicare "carve-out." While cheaper than providing for the employee's equivalent health insurance coverage under 65, the cost to the employer of a carve-out increases as medicare benefits are reduced.

The regulations also permit employers to reduce long-term disability plan benefits to employees who become disabled after age

65. This probably dissuades some older employees from continuing at work.

Currently, most of our bargaining directed toward these issues must be regarded as encouraging the retention of older workers. This would include our attempts to secure improved early retirement provisions. For, though inadvertently, these should encourage greater employer retention of older workers in order to offset more of the costs of earlier retirements.

In these ways, I believe union bargaining policies generally promote retention of older workers, and we are probably prepared to do more.

Senator HEINZ. Mr. Kuhns, thank you very much.

Mr. Post.

STATEMENT OF JOHN POST, WASHINGTON, D.C., EXECUTIVE DIRECTOR, THE BUSINESS ROUNDTABLE

Mr. POST. Mr. Chairman, I am delighted to be here.

I do not have a prepared statement. It was just yesterday that I received a copy of Mr. Lovell's statement.

Let me make a few brief comments, and then I will respond to questions.

In the first place, I think it is very appropriate to hold these hearings on the question of the aging population in our society. We have the coming together of a number of major influences in our society. The demographic numbers are readily available to you, and you have already talked about them.

Senator Bentsen talked about the desire of older workers to continue to work, a change that seems to be taking place in those desires from the practice which was prevailing when they were seeking early retirement in larger numbers.

Third, we have the changing nature of the composition of the industrial society where we have fewer and fewer manual jobs which require more strength and more and more jobs that require the use of clerical skills.

And finally, and perhaps most important, is the changes in our philosophy. I remember when social security was enacted. The impetus then was to try to get older workers out of the work force and to provide opportunities for younger workers. Today, I think we are reexamining that philosophy, and are thinking in terms of providing opportunities for older workers rather than encouraging them to leave.

So we have that confluence of ideas and facts to deal with and I think, therefore, it is very appropriate for you to be looking at this.

As far as the Business Roundtable is concerned, we have not focused on this problem per se, but we have some task forces which have looked at pieces of it, but not necessarily with the same emphasis that you are giving it today.

For example, we have a task force on employment policy, and I think you will appreciate that our emphasis there is on how to provide the job opportunities for minority groups in the central city, which to us is a very critical problem. I hope in terms of looking at the aging situation, you look at the overall problems we have rather than just one segment of our society.

Similarly, we have a task force on social security and pensions, and right there we come up against some of the questions you have been asking this morning.

And, finally, we have a task force on health, which is, likewise, looking at a serious problem. This leads me to my main point, and that is in looking at the problems of aging, I hope you do not concentrate on employment. There are many, many serious problems for people who are elderly, the quality of health care is one. Housing is another, and perhaps most significant today in the major cities, is personal security. I trust in looking at these problems, you will not confine yourselves to just this one area of finding employment. It is a very complex issue.

Senator HEINZ. Mr. Post, you have nothing to worry about. This committee has been looking at all those areas.

Mr. POST. But for today, if you want to talk about employment areas, that is fine. I do not have anything else to comment on.

I would be glad to respond to your questions.

Senator HEINZ. Let me start off with an observation on your remarks, John.

I am glad you have a task force on unemployment. We have too much of it in our urban areas. We have too much of it among minorities, young people. I would like to suggest, if I may be so presumptuous, that the Business Roundtable, while looking at a very real problem, is ideally situated to look at, in a sense, a wider ranging problem, and that is the use of manpower and its impact on productivity.

The one thing we know about worker productivity is that it correlates with education and experience. It does not mean you have to have an education to be a productive worker. You can make up for that through the school of hard knocks, as we used to say. The correlation is that people who have had more experience or education are more productive.

The most experienced people, not surprisingly, are those that have been in the work force for the longest and that tends to correlate with age. The problem we as a society have as we move through this decade and through the next is that we are losing our ability to generate productivity and we are also losing on the proportion of new workers coming into the work force.

They will be, as a proportion of our population, declining.

Now, it seems to me that if we as a people want to maintain anything close to the standards of living that we now have, and we have not been doing very well, because the people's real standard of living has been going down, but we are going to have to find a way to insure greater increases in productivity.

Now, certainly some of that can be done through substituting capital for labor, but the other way to do it, which is going hand in hand with it, is making the most of our human asset, which Lloyd Bentsen referred to in his statement. Frankly, I get worried about the fact that toward the end of this decade, and certainly by the end of this century, the demographics will show that we are going to have a very, very tight labor market; and we may actually not have enough people in the labor market to do the kinds of jobs that we need done.

We go to the newspapers, and what do you see in the newspapers? You see all kinds of ads but they are for technically trained people. The Wall Street Journal, look up those last two or three pages, or the New York Times on a Sunday, and they are loaded, loaded with manager, accountant, salesman, and here we have this habit we have gotten into of getting people who have experience and ability out of the work force.

So I would simply suggest that the Business Roundtable is quite right to look at the question of unemployment but they would be equally right and even more farsighted if they looked at this much larger issue of how we are going to utilize the talented, inherently more productive people, because they have seen a great deal more of life than we are currently now in some cases throwing out on the landscape.

Mr. POST. Let me comment on that because you made me think of something I had wanted to say.

We have an industrial relations group, vice presidents of industrial relations, and up until recently they were oriented to some of the other problems that exist. Just recently, they have begun to look at the manpower problems of the 1980's. I remember very vividly one of the presentations of the companies that discussed just those points. They will get into that in some depth. They have examined it in connection with productivity.

I am glad you made the statement. I will bring it back to them and we will reinforce their efforts to look at them.

Senator HEINZ. Dr. Sheppard, do you have a comment?

Dr. SHEPPARD. Thank you, Senator Heinz. I am a little bit perplexed. A lot of these discussions frequently come up. Besides the older worker problem, there is the minority worker problem. There is the women worker problem, with the implication that there are no older workers among minorities, and no older workers among women.

This is mixing apples with oranges. I would like to point out more concretely that the fastest growing group covered by the Age Discrimination in Employment Act, ages 40 through 69, if you look at the data between now and the year 2000, will be blacks 40 to 69, not teenage blacks, nor teenage nonblacks, nor 40 to 69 nonblacks, but that group that Mr. Post referred to. I am concerned, too, about minority employment.

It also affects—I should say it affects especially the minority older worker, by what we call double jeopardy. Also, a lot of those teenagers have parents—older workers—who are looking for jobs, decent jobs in the work force.

So I think part of the teenage unemployment problem relates to the employment problems of their parents, and we cannot separate one from the other. Nobody ever looked at it from that standpoint and I hope we can get into it.

Senator HEINZ. I think that is a very pertinent comment.

Dr. SHEPPARD. I wanted to say, when you look at the title V statistics, there is a disproportionately high number of these people 55 and over, low income, who are nonwhite. They are particularly attracted to and benefit from the title V program.

Incidentally, while it is much touted, and I am pleased to see that Congress has not treated it, so far, as CETA has been treated,

and they think it is a good program. But it only involves 52,000 people 55 and over. A few years ago some people tried to make an estimate of how many more could be employed if provided the funds, and I am not supposed to talk about more funds these days; 500,000 would be a conservative figure; 52,000 is not much at all.

Senator HEINZ. Regarding title V principally, why should not we try to utilize a relatively limited amount of money from title V to stimulate actual opportunities in the private sector for the over 65 population where we find that we have to get some new kinds of things done; not that there is not a lot of dynamism, but there is a lot of ignorance as well.

Dr. SHEPPARD. I am all in favor of that and I might add, that for the Labor Department, we are taking a special look at the data we have among the participants in the program, the title V program, run by the National Council on Aging, on the placement of older workers in the title V program into the private sector, to see what are the characteristics of the individuals who get into the private sector after having been in title V. What are the characteristics of those private sector industries, so that then we can have a knowledge base to see where we can build on from. That is one of the first steps that we are doing in a special report to the Department of Labor, and I am all in favor of that.

Also, recognizing there are going to be limits but we have come nowhere near the limits, and speaking as an individual, not as a representative of NCOA, we have got to be looking at older worker programs for many people who do not fit the eligibility standards for title V. It is not true that the older worker problem is restricted to the low-income elderly. That is going to show up as we get into—even under the best circumstances—the reindustrialization of America that we talked about.

That means factory changes, office changes, technological changes, and that has a ripple effect on different age groups.

Senator HEINZ. All three of you were here to listen to the administration's testimony on older workers and I would like to ask you what aspects of the testimony you think were positive and that you supported and, to the contrary, what kind of differences you have or what kind of improvements you would urge on the administration.

Let me start with Mr. Kuhns.

Mr. KUHNS. Well, I was impressed by the, shall we say, good intentions. I do not see too much in the projections that suggested a good deal is going to be done in the course of the next 2 or 3 years. The real thrust of the problem, if you are going to really do something about older workers, is I think retraining. This is where most of your productivity comes from, too. To the extent that economists project that some productivity is intrinsically contributed by people or labor, it comes only after a long period of time by training, and the greatest amount of productivity that you can get from older workers is largely going to come from retraining in order that they keep up with the technological changes that take place even on their jobs.

Senator HEINZ. Is it cheaper for business and industry to retrain an older worker, or is it cheaper for industry to take somebody out of high school and train them?

Mr. KUHNS. It depends on how the two go together. Generally, if you are going to retrain the older worker, you not only have the cost of retraining, but you are going to keep the higher rate. The reason that most corporations and management want to replace older workers is that you pay younger workers less.

Mr. POST. I do not know where he gets that. These generalizations are going to mislead you.

Senator HEINZ. That is why we have the three of you up here together.

Mr. POST. In most cases, technology simplifies the work. You replace a complicated instrument board with many, many dials with an automated operation and all you have to be sure of is to look at it. That generalization that technology generally requires more skill needs to be demonstrated.

Second, the idea that you replace an older worker to whom you pay more—in my experience is that you pay for the job rather than who occupies it.

Senator HEINZ. Let me ask both you and Mr. Kuhns if you have any statistics on your contradictory assertions?

Mr. POST. No; but I have experience.

Senator HEINZ. Mr. Kuhns, if you have any, can you send them? Otherwise the testimony will show that both of you have engaged in generalizations but do not have any facts to back them up.

Mr. POST. I am just suggesting that we should not engage in generalizations, and I would hope that you would not accept those generalizations.

Senator HEINZ. I will not accept any without any facts, whether his or yours. I think that is the right way you want to do it.

Dr. SHEPPARD. How about the generalization, with technological change people will need different skills, not necessarily more complex skills, and that people need to be trained in them?

Senator HEINZ. The issue that I think is particularly relevant here is, do economic incentives encourage employers to keep or not keep older workers? The question that really was raised, and this is the one I hope our committee would focus on, is the extent to which, in fact, older workers are more costly to train, or to use or to hire or to keep than younger workers who are just coming into the labor force.

That is sometimes the option. But I want to emphasize, that is a generalization, and if anybody is going to make statements that it is cheaper or more costly, we would like at some point, and we will keep the record open, to have statistics to wrap those generalizations up so that we can get down to specific cases.

Mr. POST. I hope you can get statistics. I think most of our testimonies are episodic. I know from my own experience in business, we have introduced more complex skills, and it was better to train people who knew the plant, and who were on the job, rather than bringing somebody else in.

I never knew anybody who was washed out because he was not able to keep up with a few more mathematical computations.

Senator HEINZ. I would like to ask each of you a question that I asked the administration.

Should we further list the mandatory retirement age, should we abolish it?

Dr. Sheppard.

I should not call it that, the age at which Age Discrimination Employment Act ceases to take effect.

Dr. SHEPPARD. I have long held the view that the world will not go to hell, if I can use that expression, if we raised or lifted the age for mandatory retirement or eliminated it; nor will utopia come. The critical reason I would back it is it has to do with issues of civil rights and broad principles, and really based on scientific research; age is a poor predictor of worker performance.

Other criteria are better predictors. What is the fuss all about? Both sides get angry with me when I say that.

Senator HEINZ. Mr. Kuhns, do you agree or disagree?

Mr. KUHNS. Yes.

Senator HEINZ. Do you agree?

Mr. KUHNS. I do not think they should have a limit at all. It is just too varied or the conditions are too varied. You have some people that cannot work beyond 60.

Mr. POST. I would rather take a look at what has happened in the last 2 years, since the change of the law. We were opposed to the change in the law when it was offered as a generalization. One of the factors that has not been injected into this is the need for business to plan for succession, and have some idea who is going to be where at some particular time. Some arbitrary age limit is required so that you can know how many people are going to come along, and how many you feed in at the beginning and hire, so you know where you are going to be. Having an open-ended retirement age makes it more difficult to do that.

Senator HEINZ. Let me ask you the same question I asked Secretary Lovell.

If you believe in the free enterprise system, why should Government pass a regulation that gives you a club with your employees to force them out. What is free enterprise about that?

Mr. POST. Well, Mr. Chairman, I did not comment on Mr. Lovell's statement. I do not think I got to it. I was heartened in the first place, that the Department of Labor will really look into it, and the approach that they will try to work out the solutions with the private sector, because in the final analysis, the jobs will be generated by the private sector.

But in terms of having a club, those are parts of the conditions of employment which we negotiate with labor unions or with the employees. I see no harm in having that done under certain circumstances. I recognize in many cases the bargaining power of the employer would be greater than the employee.

There is no question about that. But in order to run an overall business, if you point out to the employee at the very beginning of his employment that these are the conditions, so that we can plan your pension plan and plan our business, I do not see anything wrong with the situation where you say, at the outset, that if you stay here until you are age 65, you will have a retirement allowance, and you will retire.

And you can start planning right now for that.

Dr. SHEPPARD. As a researcher, I would like to know the answer to the following question, starting with a fact, first of all. At least half of the workers do not work in places with a mandatory retire-

ment age. How do those companies plan, in the absence of a mandatory retirement age policy, and what are the effects of not having such a policy on any hardnosed criterion of success or failure of the company?

Senator HEINZ. To your knowledge is anybody studying that?

Dr. SHEPPARD. I think it is part of the Department of Labor study.

Senator HEINZ. There is a draft of that study currently circulated.

Mr. POST. I am not familiar with that.

There may be a distinction between large companies and small companies, and I know I have worked with companies which do not have retirement requirements because, as I remember, retirement plans are relatively recent, since World War II, and I was there before World War II. I remember we had some people who retired at 55 who were getting a retirement allowance until they were 95, because there was no planning or a pension plan.

I think it is well to look at the whole thing and I would be interested in the research.

Senator HEINZ. Now, Mr. Kuhns identified rather interesting potential problems on page 3 of his testimony. The regulations issued under ADEA allow an employer to grant no pension credit after age 65 which encourages employers to retain people but to dissuade people from staying.

The medicare carve out, the regulations that would permit employers to reduce long-term disability plan benefits to employees who become disabled after age 65, give people an incentive to leave as they get older, to the extent that these problems exist in specific companies. I understand it is a matter of choice right now at specific companies.

Why do not companies do more to encourage people to work longer?

Mr. POST. I think it goes back to the point I made, and I would like to go back to individual ones. But overall, the reason we do not encourage that they work longer is we need to have certainty as to when they will retire. In putting together a pension plan that is one of the requirements. I have not built a pension plan recently, but in the past in building a pension plan, you have to think in terms of how long people will work, and some definite time of when they will retire, and the mortality tables, and your whole contribution system is built around those actuarial tables. There may be some new ones which have been developed which say we are not sure of actual retirement date, but if you have an open-ended one, then we can work it out some other way. I am not familiar with that. But there is that requirement that in a large organization you have planning, so that when younger people come to work, you can say these are the conditions we will have. We have had no particular resistance to that.

In fact, there is a feeling that they want to have that kind of certainty, although we do have a number of people that I am sure would want to continue working.

Senator HEINZ. I am not sure that there are millions of people clamoring for more job opportunities. But I do hear the march of time which says that unless we do find ways to encourage these

people to work longer, we are going to see our productivity and our standards of living decline. There are times when we have to figure out what is for the greatest benefit of our country as a whole. Therefore, I am inclined to believe that this is an issue at which we have to look, not because there is some pressure group out there urging us to do something.

Mr. POST. I am not trying to be Pollyanna about it, but there are areas where there is great encouragement for older people to come to work, work on a part-time basis, and the demographics are the factors determining it, and obviously, the major factor that will encourage some employment is a growth in the economy, and that is really the basic factor which we need to look at. Otherwise, we will be shifting jobs from one group to another.

But it becomes circular unless you have the right people working in the economy. There are many factors involved.

Senator HEINZ. There are basically three elements to creating productivity, labor, management, and capital. That is the three-corner stool on which progress rests. No matter how good management is, they cannot get along without the other two legs. No matter how much capital you have, you cannot get along without labor and management.

I am convinced that people sometimes ignore that third leg, which is the individual worker.

Mr. POST. You have given me an opportunity to comment on another factor in the law, and that is the exemption, executive exemption, which to us was the most important feature retained in the law, and was a compromise worked out at almost the last moment. If you want to talk about productivity in the management group, it is essential to plan for some orderly retirement process. We had some cases presented to Senator Javits and others, which allowed executives to go on forever, and which went into decline. We are very positive that it is essential to have some kind of orderly process for succession.

We were anxious to retain the age of 65. As you know, in some companies it is even age 60. So in terms of having the right people, you have to have the right people and the right system. As you examine the subject, I trust you will consider carefully our feeling about maintaining a virile management.

Senator HEINZ. Now, gentlemen, are there any further comments you wish to add?

Mr. POST. There are a number of other questions raised that are complicated, such as social security, and the handling of retirement plans, which again I suggest need to be looked at in an overall context of each of these subjects.

Senator HEINZ. I want to thank you all.

Thank you very much.

[Whereupon, the hearing was adjourned at 11:35 a.m.]

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